May 24, 2019

Financial Results for the Fiscal Year Ended March 31, 2019

Nippon Life Insurance Company (the “Company”; President: Hiroshi Shimizu) announces financial results for the fiscal year ended March 31, 2019.

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I. Financial Summary for the Fiscal Year Ended March 31, 2019

Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2019

I. Financial Summary for the Fiscal Year Ended March 31, 2019

The Company will submit the financial results for the fiscal year ended March 31, 2019, for discussion at the 72nd annual meeting of the representatives of policyholders to be held on July 2, 2019. A summary of the results is provided below.

1. Business Highlights

(1) Annualized Premium

- Policies in Force

(100 Million Yen, %)

		As of March 31, 2019		As of March 31, 2018	
			As a percentage of March 31, 2018		As a percentage of March 31, 2017
Individual insurance		27,383	101.9	26,861	103.0
Individual annuities		10,096	103.1	9,795	102.7
Total		37,479	102.2	36,657	102.9
	Medical coverages, living benefits, and others	6,383	101.7	6,279	100.9

- New Policies

(100 Million Yen, %)

		Year ended March 31, 2019		Year ended March 31, 2018	
			As a percentage of March 31, 2018		As a percentage of March 31, 2017
Individual insurance		2,460	93.8	2,623	111.7
Individual annuities		651	108.9	598	53.7
Total		3,112	96.6	3,221	93.0
	Medical coverages, living benefits, and others	470	112.1	420	90.6

Notes: 1. The amount of annualized premium is the annualized premium amount calculated by multiplying a single premium payment by a factor according to the premium payment method (for lump-sum payment policies, the annualized amount is the total premium divided by the insured period).
2. The amount of medical coverages, living benefits, and others represents annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits), and waiver of premium benefits (excluding disability benefits alone, but including specified illness and nursing care benefits).
3. Annualized new policy premium includes net increases due to conversions.

(2) Amount of Policies in Force and New Policies

- Policies in Force

	As of March 31, 2019				As of March 31, 2018			
	Number of policies		Amount of policies		Number of policies		Amount of policies	
	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)	(thousands)	As a percentage of March 31, 2017 (%)	(100 million yen)	As a percentage of March 31, 2017 (%)
Individual insurance	27,907	106.5	1,353,326	98.0	26,194	104.8	1,381,477	96.4
Individual annuities	3,964	102.0	239,372	101.5	3,886	102.1	235,809	101.5
Group insurance	—	—	971,022	101.7	—	—	955,119	101.3
Group annuities	—	—	131,770	102.5	—	—	128,541	101.8

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies prior to the start of annuity payments and (b) policy reserves for policies after the start of annuity payments.
2. The amount of group annuities is the amount of the policy reserves.

- New Policies

	Year ended March 31, 2019						Year ended March 31, 2018					
	Number of policies		Amount of policies				Number of policies		Amount of policies			
	(thousands)	As a percentage of March 31, 2018 (%)	(100 million yen)	As a percentage of March 31, 2018 (%)	New policies	Net increase (decrease) by conversion	(thousands)	As a percentage of March 31, 2017 (%)	(100 million yen)	As a percentage of March 31, 2017 (%)	New policies	Net increase (decrease) by conversion
Individual insurance	4,679	140.8	69,212	132.7	69,398	(186)	3,322	84.8	52,143	61.2	58,130	(5,987)
Individual annuities	229	103.5	15,081	110.2	14,993	88	222	52.2	13,685	54.1	13,579	106
Group insurance	—	—	5,808	190.9	5,808		—	—	3,043	53.6	3,043	
Group annuities	—	—	5	162.9	5		—	—	3	9.9	3	

Notes: 1. New policies include enrollment using the coverage enhancement system, and conversion indicates enrollment using the coverage revision system and partial coverage revision system.
2. The number of policies includes policies that were converted into new policies.
3. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity resources at the start of annuity payments.
4. The amount of new policies for group annuities represents the first-time premium.

(3) Major Profit and Loss Items

(100 Million Yen, %)

	Year ended March 31, 2019		Year ended March 31, 2018	
		As a percentage of March 31, 2018		As a percentage of March 31, 2017
Revenues from insurance and reinsurance	47,751	106.4	44,884	96.6
Investment income	16,495	99.8	16,526	99.4
Benefits and other payments	36,545	99.8	36,631	103.8
Investment expenses	3,451	106.5	3,242	83.6
Ordinary profit	3,835	93.4	4,104	89.5

(4) Proposed Appropriations of Surplus

(100 Million Yen, %)

	Year ended March 31, 2019		Year ended March 31, 2018	
		As a percentage of March 31, 2018		As a percentage of March 31, 2017
Unappropriated surplus at the year-end	2,560	103.2	2,482	101.2
Provision of reserve for dividends to policyholders	2,118	97.0	2,183	118.6
Net surplus after deduction	699	100.6	695	87.1

(5) Total Assets

(100 Million Yen, %)

	As of March 31, 2019		As of March 31, 2018	
		As a percentage of March 31, 2018		As a percentage of March 31, 2017
Total assets	680,847	102.4	664,726	102.6

2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2019

(1) Investment Environment

In the fiscal year ended March 31, 2019, the Japanese economy remained on a gradual recovery path, mainly owing to increased capital investment supported by firm corporate earnings although exports and productions were impacted by a slowdown in overseas economies.

- The Nikkei Stock Average started the fiscal year at ¥21,454. Subsequently, the index had risen steadily fueled by heightened expectations for improved corporate business performance supported by a sustained expansionary trend in the global economy, with the index reaching ¥24,270 at the beginning of October 2018. Afterwards, the index temporarily declined to the ¥19,000 level toward the end of 2018 affected by rising concerns about a possible global economic slowdown caused by trade friction between the United States (U.S.) and China, and other related factors. The central banks of Europe and the U.S., however, shifted to an accommodative monetary policy stance in consideration of economic conditions. Against this backdrop, the index recovered to ¥21,205 at the end of March 2019.

- The yield rate on 10-year government bonds started the fiscal year at 0.04% and then increased slightly as the Bank of Japan revised its monetary policy at the end of July 2018, expanding the range of fluctuation in long-term interest rates. Toward the end of the fiscal year, overseas interest rates trended at a low level as the central banks of Europe and the U.S. shifted to the accommodative monetary policy stance in consideration of the economic conditions. In this environment, the yield rate declined to minus 0.10% at the end of March 2019.

- The yen-U.S. dollar exchange rate started the fiscal year at the ¥106 level. Thereafter, the yen headed to a weaker level, depreciating to the ¥114 level amid continuing interest rate hikes in the U.S. In early January, the yen temporarily strengthened to the ¥107 level backed by heightened concerns about a slowdown in the global economy. After that, the yen began to slightly depreciate on an upturn in stock prices and other factors. The yen-dollar exchange rate finished at ¥110.99 at the end of March 2019.

  The yen-euro exchange rate started the fiscal year at the ¥130 level. Thereafter, although the euro temporarily weakened at times due to increasing European political risks and related factors, the yen depreciated to the ¥132 level in October 2018. Subsequently, the yen headed to a stronger level as the European Central Bank strengthened its accommodative monetary policy stance in consideration of the economic conditions. The yen-euro rate finished at ¥124.56 at the end of March 2019.

(2) Investment Summary

The Company's general account assets increased by ¥1,648.1 billion compared with the end of the fiscal year ended March 31, 2018, totaling ¥66,826.7 billion as of March 31, 2019 (2.5% increase compared with the previous fiscal year-end).

The Company has positioned yen-denominated assets that can be expected to provide stable income, such as government and corporate bonds, as its core assets. From the perspective of improving profits in the mid- to long-term, the Company invested in stocks and foreign securities within the scope of acceptable risk, while taking into account business stability.

The Company captured the opportunity of rising interest rates and accumulated additional outstanding domestic bond balances, taking into consideration the advantages against other yen interest rate assets.

- The Company focused on safe and stable prime lending by accurately assessing credit risks.
- For domestic stocks, the Company strove to enhance the profitability of its portfolio by replacing certain stocks, while focusing the Company's attention on corporate profitability and dividends from the mid- to long-term investing perspective.

Regarding foreign securities, the Company invested in government and corporate bonds denominated in foreign currencies based on currency movements. Also, the Company invested in foreign bonds with foreign exchange hedges, taking into consideration the advantages against other yen interest rate assets.

(3) Status of Investment Income/Expense

Investment income was ¥1,632.6 billion, an increase from ¥1,603.0 billion in the fiscal year ended March 31, 2018. The increase mainly reflected an increase in interest, dividends, and other income.

Investment expenses amounted to ¥345.1 billion, an increase from ¥324.2 billion in the fiscal year ended March 31, 2018. The increase mainly reflected an increase in loss on sales of securities, primarily foreign securities.

As a result, the Company's net investment income increased by ¥1,287.5 billion, compared with the fiscal year ended March 31, 2018, to ¥8.7 billion.

(4) Investment Risk Management

Investment risk refers to risk of incurring losses when the value of the Company's assets and liabilities fluctuates. It can be categorized into market risk, credit risk, and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to manage risks associated with investment. Hence, the Company seeks to manage its portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium to long terms.

The Company has, therefore, established the Investment Risk Management Department within the Risk Management Department and, by maintaining and upgrading its rigorous system for managing risks, the Company strives to limit losses to acceptable levels, while pursuing stable returns.

a. Market risk management

Market risk refers to risk of incurring losses when the fair value of invested assets and liabilities fluctuates due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. To avoid excessive losses from financing and investment transactions, the Company manages market risk by setting and monitoring investment limits for each type of asset and holding purpose as necessary. Through these measures, the Company strives to build a portfolio with due consideration to the diversification of risk. In addition, to control the market risk of the Company's portfolio, the Company reasonably calculates the market value-at-risk and appropriately allocates assets within acceptable boundaries of risk.

b. Credit risk management

Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. In managing credit risk, the Company continues to build a sound portfolio by rigorous examinations of each transaction by the Credit Department, which is independent of the departments handling investment and finance activities; appropriate terms to the level of credit risk involved; and credit ceilings, including those monitoring, to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

c. Real estate investment risk management

Real estate investment risk refers to risk of reduced returns caused by factors, such as rent decline, as well as incurring losses when real estate values decline due to market deterioration and other factors. The Company's approach to manage real estate investment risk involves the rigorous examination of each investment by the Credit Department, which is independent of the departments handling investment and finance activities. The Company also adheres to a policy involving thresholds for investment returns and prices. This enables the Company to appropriately focus management efforts on properties with low profitability.

(5) Asset Liability Management

For life insurance companies to carry out stable management in the long term, it is crucial to use the Asset Liability Management (ALM) approach as a basis for understanding the status of liabilities for payments of future insurance benefits (policy reserves) and investment assets as well as for adjusting investment periods. The Company analyzes and evaluates liability cash flows, risk of falling short of assumed interest rates, and level of allowed risk for each product, and decides the mid- to long-term investment plan at the Managing Directors' meetings and the Risk Management Committee meetings.

(6) Self-Assessment and Allowance for Doubtful Accounts

Asset self-assessment refers to evaluating individual assets considering their recoverability based on the financial condition of each borrower and its collateral. The assets are classified into four categories (noncategorized, II, III, or IV).

To ensure the objectivity of the self-assessment process, the Company has established a highly reliable framework as follows:

- strict assessment standards based on the Inspection Manual for Insurance Companies issued by the Financial Services Agency;
- internal audit by the Auditing Department, which is independent of the groups assessing the assets; and
- external audit by external auditors (certified public accountants).

In the fiscal year ended March 31, 2019, the Company recorded an adequate allowance for doubtful accounts according to the same allowance standards as the previous fiscal year.

Policy for allowance for doubtful accounts:

- Normal: General allowance for doubtful accounts is recorded based on actual loan losses in the previous fiscal year.
- On caution: General allowance for doubtful accounts is recorded based on the accumulated actual loan loss ratio (a ratio of loan losses incurred within three years from a certain date) in the past three fiscal years. Substandard: The actual loan loss ratios for corporate loans are calculated based on two categories: those that are secured by collateral and guarantees, and those that are not.
- Doubtful, quasi-bankrupt, and bankrupt loans: The necessary amount, which is the balance calculated by subtracting the estimated collectible amount based on collateral and guarantees from total outstanding loan balances, is provided as a specific allowance for doubtful accounts. The portion of the amount in "Category IV" is directly deducted from total outstanding loan balances.

3. Investment Management Performance (General Account)

(1) Asset Composition

(100 Million Yen, %)

	As of March 31, 2019		As of March 31, 2018	
	Amount	%	Amount	%
Cash, deposits, and call loans	10,793	1.6	10,634	1.6
Receivables under resale agreements	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—
Monetary receivables purchased	2,440	0.4	2,782	0.4
Proprietary trading securities	—	—	—	—
Assets held in trust	131	0.0	104	0.0
Investments in securities:	555,143	83.1	537,443	82.5
Domestic bonds	235,275	35.2	223,813	34.3
Domestic stocks	89,554	13.4	93,588	14.4
Foreign securities:	198,595	29.7	193,710	29.7
Foreign bonds	138,710	20.8	144,335	22.1
Foreign stocks and other securities	59,884	9.0	49,375	7.6
Other securities	31,717	4.7	26,330	4.0
Loans:	74,387	11.1	74,683	11.5
Policy loans	5,827	0.9	6,190	0.9
Industrial and consumer loans	68,559	10.3	68,492	10.5
Real estate:	16,496	2.5	16,073	2.5
Investment property	10,484	1.6	10,105	1.6
Deferred tax assets	—	—	—	—
Other assets	8,919	1.3	10,087	1.5
Allowance for doubtful accounts	(44)	(0.0)	(24)	(0.0)
Total assets (general account):	668,267	100.0	651,785	100.0
Foreign currency-denominated assets	187,195	28.0	180,158	27.6

Notes: 1. The assets above include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥32.6 billion and ¥330.7 billion as of March 31, 2019 and 2018, respectively).

2. Real estate amount is the sum of land, buildings, and construction in progress.

(2) Increases/Decreases in Assets

(100 Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash, deposits, and call loans	159	(144)
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	(341)	(480)
Proprietary trading securities	—	—
Assets held in trust	27	70
Investments in securities:	17,700	18,727
Domestic bonds	11,462	(788)
Domestic stocks	(4,033)	6,636
Foreign securities:	4,884	5,159
Foreign bonds	(5,624)	540
Foreign stocks and other securities	10,509	4,619
Other securities	5,386	7,720
Loans:	(295)	(2,811)
Policy loans	(362)	(356)
Industrial and consumer loans	66	(2,455)
Real estate:	422	(119)
Investment property	379	(118)
Deferred tax assets	—	—
Other assets	(1,168)	1,556
Allowance for doubtful accounts	(20)	4
Total assets (general account):	16,481	16,803
Foreign currency-denominated assets	7,037	9,796

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows: ¥(298.1) billion and ¥(343.3) billion for the fiscal years ended March 31, 2019 and 2018, respectively.
2. Real estate amount is the sum of land, buildings, and construction in progress.

(3) Investment Income

(100 Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Interest, dividends, and other income:	14,276	14,073
Interest on deposits and savings	48	4
Interest on securities and dividends	11,985	11,839
Interest on loans	1,245	1,300
Real estate rental income	829	802
Other income	166	126
Gain on proprietary trading securities	—	—
Gain from assets held in trust, net	—	—
Gain on trading securities	—	—
Gain on sales of securities:	1,949	1,796
Gain on sales of domestic bonds, including national government bonds	299	124
Gain on sales of domestic stocks and other securities	1,186	1,309
Gain on sales of foreign securities	463	362
Other gains	—	—
Gain on redemptions of securities	61	149
Gain on derivative financial instruments, net	—	—
Foreign exchange gains, net	21	—
Reversal of allowance for doubtful accounts	—	4
Reversal of allowance for investment loss	—	—
Other investment income	17	5
Total	16,326	16,030

(4) Investment Expenses

(100 Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Interest expenses	308	219
Loss on proprietary trading securities	—	—
Loss from assets held in trust, net	25	32
Loss on trading securities	—	—
Loss on sales of securities:	1,387	1,028
Loss on sales of domestic bonds, including national government bonds	18	5
Loss on sales of domestic stocks and other securities	100	77
Loss on sales of foreign securities	1,269	945
Other losses	0	—
Loss on valuation of securities:	213	112
Loss on valuation of domestic bonds, including national government bonds	—	—
Loss on valuation of domestic stocks and other securities	109	2
Loss on valuation of foreign securities	103	108
Other losses	0	1
Loss on redemptions of securities	80	233
Loss on derivative financial instruments, net	931	1,058
Foreign exchange losses, net	—	95
Provision for allowance for doubtful accounts	40	—
Provision for allowance for investment loss	14	29
Write-offs of loans	—	—
Depreciation of real estate for rental use and other assets	163	148
Other investment expenses	284	283
Total	3,451	3,242

(5) Investment Indicators

1) Yield on primary assets

(%)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash, deposits, and call loans	0.16	0.04
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	1.83	1.88
Proprietary trading securities	—	—
Assets held in trust	(13.74)	(32.68)
Investments in securities:	2.33	2.42
Domestic bonds	1.85	1.81
Domestic stocks	6.57	7.02
Foreign securities	1.94	2.12
Foreign bonds	1.37	1.51
Foreign stocks and other securities	3.55	4.12
Loans:	1.53	1.67
Industrial and consumer loans	1.26	1.39
Real estate:	2.70	2.70
Investment property	4.29	4.29
General account total:	2.14	2.20
Overseas investments	1.88	2.07

Notes: 1. Yields are calculated by dividing investment income, less investment expenses, by the daily average book value balance.
2. The amount of overseas investments is the sum of assets denominated in foreign currencies and yen.

2) Daily average balance

(100 Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash, deposits, and call loans	9,880	4,459
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary receivables purchased	2,529	2,906
Proprietary trading securities	—	—
Assets held in trust	186	100
Investments in securities:	481,479	464,381
Domestic bonds	228,073	221,770
Domestic stocks	47,222	44,452
Foreign securities	179,711	177,990
Foreign bonds	132,345	136,906
Foreign stocks and other securities	47,366	41,083
Loans:	74,675	76,522
Industrial and consumer loans	68,671	70,177
Real estate:	16,244	16,156
Investment property	10,228	10,175
General account total:	602,886	580,870
Overseas investments	192,409	185,518

(6) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

	As of March 31, 2019		As of March 31, 2018	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Trading securities	110	(15)	91	(32)

Notes: 1. The balance sheet amounts of assets held in trust included in trading securities and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

2. Figures above do not include cash, deposits, and call loans held within assets held in trust that are included in trading.

(7) Fair Value Information of Securities (With Fair Value, Other Than Trading Securities)

(100 Million Yen)

	As of March 31, 2019					As of March 31, 2018				
	Book value	Fair value	Net gains/ losses	Gains	Losses	Book value	Fair value	Net gains/ losses	Gains	Losses
Policy-reserve-matching bonds*	206,963	247,738	40,774	40,777	(2)	195,283	232,296	37,013	37,072	(59)
Held-to-maturity debt securities	—	—	—	—	—	—	—	—	—	—
Investments in subsidiaries and affiliates	640	1,368	728	728	—	640	1,695	1,055	1,055	—
Available-for-sale securities:	269,616	337,085	67,469	70,368	(2,898)	264,467	331,872	67,404	71,298	(3,893)
Domestic bonds	28,953	31,307	2,353	2,364	(10)	29,458	31,406	1,947	2,004	(56)
Domestic stocks	42,682	84,459	41,777	43,862	(2,084)	41,660	89,654	47,993	48,881	(887)
Foreign securities:	166,482	187,236	20,753	21,533	(780)	166,001	181,594	15,592	18,438	(2,846)
Foreign bonds	123,905	137,743	13,837	14,350	(512)	134,692	143,863	9,171	11,756	(2,585)
Foreign stocks and other securities	42,576	49,492	6,916	7,183	(267)	31,309	37,730	6,421	6,681	(260)
Other securities	28,270	30,854	2,584	2,606	(22)	23,681	25,553	1,872	1,973	(100)
Monetary receivables purchased	434	434	0	1	(0)	390	388	(1)	0	(2)
Negotiable certificates of deposit	2,793	2,792	(0)	0	(0)	3,275	3,275	0	0	(0)
Total	477,219	586,192	108,972	111,874	(2,901)	460,391	565,864	105,473	109,426	(3,953)
Domestic bonds	232,921	275,912	42,990	43,001	(10)	221,865	260,700	38,835	38,941	(106)
Domestic stocks	42,682	84,459	41,777	43,862	(2,084)	41,660	89,654	47,993	48,881	(887)
Foreign securities:	168,103	189,618	21,515	22,297	(782)	167,115	183,771	16,655	19,511	(2,855)
Foreign bonds	124,895	138,767	13,871	14,386	(514)	135,175	144,354	9,179	11,774	(2,595)
Foreign stocks and other securities	43,207	50,851	7,643	7,911	(267)	31,940	39,416	7,476	7,737	(260)
Other securities	28,279	30,864	2,585	2,607	(22)	23,690	25,562	1,872	1,973	(100)
Monetary receivables purchased	2,439	2,544	104	106	(1)	2,784	2,900	116	118	(2)
Negotiable certificates of deposit	2,793	2,792	(0)	0	(0)	3,275	3,275	0	0	(0)

Note: The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

* Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups (classified by insurance type, maturity period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA).

[Book Value of Securities of which the Fair Value is Extremely Difficult to be Determined]

(100 Million Yen)

		As of March 31, 2019	As of March 31, 2018
Policy-reserve-matching bonds		—	—
Held-to-maturity debt securities:		—	—
	Unlisted foreign bonds	—	—
	Others	—	—
Investments in subsidiaries and affiliates		10,251	8,954
Available-for-sale securities:		5,398	6,695
	Unlisted domestic stocks (excluding over-the-counter stocks)	532	549
	Unlisted foreign stocks (excluding over-the-counter stocks)	1,200	3,170
	Unlisted foreign bonds	—	—
	Others	3,665	2,975
Total		15,650	15,649

Note: Of securities of which the fair value is extremely difficult to be determined, the net gains on currency exchange valuation of assets denominated in foreign currencies were as follows:
¥3.6 billion and ¥7.5 billion as of March 31, 2019 and 2018, respectively.

(8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

	As of March 31, 2019					As of March 31, 2018				
	Balance sheet amount	Fair value	Net gains/losses			Balance sheet amount	Fair value	Net gains/losses		
				Gains	Losses				Gains	Losses
Assets held in trust	131	131	—	—	—	104	104	—	—	—

Notes: 1. Fair value is based on a price reasonably calculated by the trustee of the assets held in trust.
2. The balance sheet amounts include net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Trading Purposes

(100 Million Yen)

	As of March 31, 2019		As of March 31, 2018	
	Balance sheet amount	Valuation gains (losses) included in profit and loss	Balance sheet amount	Valuation gains (losses) included in profit and loss
Assets held in trust for trading purposes	131	(15)	104	(32)

Note: The balance sheet amounts and valuation gains (losses) recorded in profit and loss include net gains/losses on derivative transactions.

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Available-for-Sale
  There were no ending balances as of March 31, 2019 and 2018.

4. Policies in Force by Types of Benefits as of March 31, 2019

		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Death protection	General	27,563	1,344,520	—	—	27,573	970,879	55,137	2,315,399
	Disaster	2,568	291,129	81	1,691	2,758	31,957	5,408	324,779
	Others	155	1,822	—	—	69	1,222	225	3,044
Pure endowment		342	8,806	3,964	239,372	8	143	4,314	248,322
Hospitalization coverage	Disaster	6,423	412	243	11	1,363	13	8,031	437
	Illness	6,415	411	241	10	—	—	6,657	422
	Others	6,416	439	54	2	58	0	6,529	442
Disability coverage		7,136	—	61	—	2,519	—	9,717	—
Surgical coverage		9,652	—	242	—	—	—	9,894	—

	Group annuities		Workers' asset-formation insurance/annuities		Total	
	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)	Number of policies (thousands)	Amount (100 million yen)
Pure endowment	8,860	131,770	170	4,504	9,030	136,274

	Medical care insurance	
	Number of policies (thousands)	Amount (100 million yen)
Hospitalization coverage	830	36

	Disability income insurance	
	Number of policies (thousands)	Amount (100 million yen)
Disability income coverage	1,016	484

Notes: 1. The number of policies for "Group insurance," "Group annuities," "Workers' asset-formation insurance/annuities," "Medical care insurance," and "Disability income insurance" represents the number of insureds.
2. The amount of "Pure endowment" for "Individual annuities," "Group insurance" (annuity riders), and "Workers' asset-formation annuities" (excluding workers' asset-formation savings annuities) represents the total of (a) annuity resources at the start of the annuities for policies bound prior to the start of the annuity payments and (b) policy reserves for policies bound after the start of the annuity payments; and for "Group annuities," "Workers' asset-formation insurance," and workers' asset-formation savings annuities, which are included in "Workers' asset-formation insurance," it represents the amount of corresponding policy reserves.
3. The amount of "Hospitalization coverage" represents the amount of daily hospitalization benefits.
4. The amount of "Hospitalization coverage" for medical care insurance represents the amount related to hospitalization from illness.
5. The amount of disability income insurance represents the amount of monthly disability benefits.
6. The number of insureds and amount of policies for reinsurance written were 40,000 and ¥37.5 billion, respectively.

5. Nonconsolidated Balance Sheets

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Assets:		
Cash and deposits:	977,580	834,511
Cash	229	283
Deposits	977,351	834,227
Call loans	429,912	471,113
Monetary receivables purchased	244,043	278,235
Assets held in trust	13,157	10,421
Investments in securities:	56,383,725	54,703,507
National government bonds	21,140,721	19,842,086
Local government bonds	790,372	883,461
Corporate bonds	1,969,571	2,089,678
Domestic stocks	9,110,036	9,521,609
Foreign securities	20,121,556	19,661,925
Other securities	3,251,467	2,704,745
Loans:	7,438,736	7,468,329
Policy loans	582,774	619,030
Industrial and consumer loans	6,855,961	6,849,298
Tangible fixed assets:	1,680,589	1,630,859
Land	1,121,375	1,089,297
Buildings	512,736	475,516
Lease assets	9,798	12,669
Construction in progress	15,496	42,550
Other tangible fixed assets	21,182	10,825
Intangible fixed assets:	192,502	185,042
Software	105,693	81,985
Other intangible fixed assets	86,808	103,057
Reinsurance receivables	587	512
Other assets:	688,042	868,603
Accounts receivable	68,757	191,009
Prepaid expenses	16,219	15,594
Accrued income	304,988	300,306
Money on deposit	34,203	34,000
Deposits for futures transactions	37,303	20,562
Futures transactions’ variation margin	23	7
Derivative financial instruments	173,657	258,631
Suspense payments	4,417	10,802
Other assets	48,472	37,686
Customers’ liability for acceptances and guarantees	69,893	52,065
Allowance for doubtful accounts	(4,463)	(2,401)
Allowance for investment loss	(29,597)	(28,138)
Total assets	68,084,710	66,472,661

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Liabilities:		
Policy reserves and other reserves:	56,347,264	55,021,894
Reserve for outstanding claims	238,428	285,702
Policy reserves	55,088,621	53,741,024
Reserve for dividends to policyholders	1,020,213	995,167
Reinsurance payables	624	594
Corporate bonds	1,028,889	1,028,889
Other liabilities:	1,694,384	1,466,056
Payables under repurchase agreements	709,062	237,046
Cash received as collateral under securities lending transactions	32,610	330,722
Loans payable	243,668	22,897
Income taxes payable	40,348	37,406
Accounts payable	94,895	199,866
Accrued expenses	69,349	64,810
Deferred income	16,543	17,399
Deposits received	109,790	105,494
Guarantee deposits received	83,367	77,870
Futures transactions' variation margin	169	9
Derivative financial instruments	178,821	156,536
Cash collateral received for financial instruments	92,597	191,976
Lease obligations	9,341	12,059
Asset retirement obligations	4,850	2,192
Suspense receipts	8,481	9,768
Other liabilities	486	—
Accrued bonuses for directors, and audit and supervisory board members	106	90
Accrued retirement benefits	365,897	361,114
Accrued retirement benefits for directors, and audit and supervisory board members	4,225	4,840
Reserve for program points	9,203	9,411
Reserve for price fluctuations in investments in securities	1,381,653	1,282,194
Deferred tax liabilities	496,857	577,415
Deferred tax liabilities for land revaluation	103,748	104,828
Acceptances and guarantees	69,893	52,065
Total liabilities	61,502,747	59,909,395

5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Net assets:		
Foundation funds	100,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Surplus:	434,526	450,600
Legal reserve for deficiencies	17,578	16,804
Other surplus reserves:	416,948	433,796
Equalized reserve for dividends to policyholders	10,000	40,000
Contingency funds	71,917	71,917
Reserve for social public welfare assistance	351	351
Reserve for reduction entry of real estate	49,836	49,708
Reserve for reduction entry of real estate to be purchased	28,603	23,422
Other reserves	170	170
Unappropriated surplus	256,070	248,227
Total foundation funds and others	1,785,178	1,801,251
Net unrealized gains on available-for-sale securities	4,882,692	4,882,103
Deferred losses on derivatives under hedge accounting	(31,216)	(59,099)
Land revaluation losses	(54,690)	(60,989)
Total valuations, conversions, and others	4,796,785	4,762,014
Total net assets	6,581,963	6,563,265
Total liabilities and net assets	68,084,710	66,472,661

Notes to the Nonconsolidated Balance Sheet as of March 31, 2019

1. (1) Securities (including items, such as deposits and monetary receivables purchased, which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:

1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.

2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.

3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

5) Available-for-sale securities

a. Regarding securities with fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).

b. Of securities of which their fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

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*ASBJ: The Accounting Standards Board of Japan

(2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” issued by the JICPA.

   The Company has specified the following types of insurance policies and set those as subcategories:

   (1) All insurance policies for products other than single payment products and group annuities

   (2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance

   (3) All insurance policies for group annuities other than guaranteed fixed-term rate products

   (4) All single payment products (denominated in U.S. dollars) other than the foregoing

   (5) All single payment products (denominated in Australian dollars) other than the foregoing

   (6) All single payment products (denominated in euros) other than the foregoing

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.

4. (1) Tangible fixed assets are depreciated based on the following methods:

   a. Tangible fixed assets (except for lease assets)

      (i) Buildings

      Straight-line method

      (ii) Assets other than the above

      Declining-balance method

      Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 are depreciated over three years on a straight-line basis.

   b. Lease assets

      (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee

      The same depreciation method applied to fixed assets owned by the Company

      (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee

      Straight-line method over the lease term

   (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
   Foreign currency-denominated available-for-sale securities with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:
   1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).
   2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
   3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.

   (2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

   (3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥2,019 million (including ¥76 million of credits secured and/or guaranteed) as of March 31, 2019.

7. To provide for losses on investments, an allowance for investment loss is recognized for the securities of which the fair value is extremely difficult to be determined, but expected to have loss in future and measured at the amount of the estimated losses that could arise in the future in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.

8. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

9. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2019, for future severance payments to employee that have been accrued as of the balance sheet date.

   (2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:
      1) Attribution method for estimated retirement benefits: Benefit formula basis
      2) Period of amortizing actuarial gains/losses: Five years
      3) Period of amortizing prior service costs: Five years

10. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

11. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

12. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

13. Hedge accounting is applied based on the following methods:
    1) The Company mainly applies the following hedge accounting methods:
    - The exceptional accounting treatment ("*Tokurei-shori*") is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
    - Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments Related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA;
    - Deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company;
    - Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
    - Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the Company's internal risk management policies.

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

15. In December 2018, the Company and its certain subsidiaries requested for approval to apply the consolidated taxation system, and the consolidated taxation system is to be applied from the following fiscal year. Accordingly, effective from the fiscal year ended March 31, 2019, the Company and its certain subsidiaries have applied accounting treatments based on the application of the consolidated taxation system in accordance with the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ, PITF* No. 5) and the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ, PITF No. 7).

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* PITF: Practical Issue Task Force

16. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premiums reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.
    1) Reserves for policies subject to the standard policy reserve are computed in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other policies are computed based on the net level premium method.
    Effective from the fiscal year ended March 31, 2019, the Company has reserved additional policy amounts over a five-year period to cover a possible deficiency in the reserve for certain individual annuity policyholders. As a result, the policy reserves increased by ¥121,292 million, while ordinary profit and surplus before income taxes decreased by ¥121,292 million, compared with amounts that would have been recorded had the additional policy amounts not been reserved.

17. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company has built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment.

    Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in stocks and foreign securities. Also, from the perspective of effective investment, the Company mainly uses derivative transactions for controlling asset investment risks. Specifically, the Company uses interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency-related investments; and equity forward contracts, equity index futures, and equity index options for equity-related investments. The Company applies hedge accounting to certain derivative transactions above.

    Primarily, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to risk of incurring losses when the fair value of investment assets declines due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. Credit risk includes country risk. These risks are managed according to internal rules regarding investment risk management.

    To manage market risk, the Company has set investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company monitors and regularly reports on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a framework to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the Company's portfolio, it uses a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and appropriately allocates assets within acceptable boundaries of risk.

To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

18. (1) Balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

(Million Yen)

	Balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	279,297	279,297	—
Available-for-sale securities	279,297	279,297	—
Monetary receivables purchased:	244,043	254,481	10,437
Policy-reserve-matching bonds	200,585	211,022	10,437
Available-for-sale securities	43,458	43,458	—
Assets held in trust:	13,157	13,157	—
Trading securities	13,157	13,157	—
Investments in securities:	54,812,749	58,954,878	4,142,128
Trading securities	869,370	869,370	—
Policy-reserve-matching bonds	20,493,498	24,562,806	4,069,307
Investments in subsidiaries and affiliates	64,047	136,869	72,821
Available-for-sale securities	33,385,831	33,385,831	—
Loans (*3):	7,435,325	7,693,649	258,324
Policy loans	582,612	582,612	—
Industrial and consumer loans	6,852,712	7,111,037	258,324
Derivative financial instruments (*4):	(5,164)	(5,164)	—
Hedge accounting not applied	40,866	40,866	—
Hedge accounting applied	(46,030)	(46,030)	—
Corporate bonds (*3 and *5)	(1,028,889)	(1,069,735)	(40,846)
Payables under repurchase agreements (*5)	(709,062)	(709,062)	—
Loans payable (*5)	(243,668)	(245,926)	(2,258)

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2019, the fair value is the balance sheet amount net of the impairment losses recognized.

(*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“Tokurei-shori”) is applied or currency swaps to which designated hedge accounting (“Furiate-shori”) is applied are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables are presented in parentheses.

(*5) Corporate bonds, payables under repurchase agreements, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price at the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.

b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value at the balance sheet date.

6) Payables under repurchase agreements

Fair value is measured at the book value of payables under repurchase agreements due to their short-term settlement terms.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). Balance sheet amounts by holding purpose were ¥1,025,134 million for stocks of subsidiaries and affiliates, and ¥545,841 million for available-for-sale securities as of March 31, 2019.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities. Valuation gains/losses of those instruments included in profit and loss were gains of ¥21,555 million for the current fiscal year.

2) Held-to-maturity debt securities

There were no balances as of March 31, 2019.

3) Policy-reserve-matching bonds

Balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Monetary receivables purchased	194,434	204,940	10,506
	Domestic bonds	20,395,884	24,459,552	4,063,668
	Foreign securities	94,606	100,249	5,642
	Subtotal	20,684,924	24,764,742	4,079,817
Fair value does not exceed the balance sheet amount	Monetary receivables purchased	6,151	6,082	(68)
	Domestic bonds	908	906	(1)
	Foreign securities	2,099	2,096	(2)
	Subtotal	9,159	9,086	(72)
Total		20,694,084	24,773,828	4,079,744

4) Available-for-sale securities

Acquisition cost or amortized cost, and balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	167,300	167,300	0
	Monetary receivables purchased	6,236	6,359	122
	Domestic bonds	2,865,902	3,102,335	236,432
	Domestic stocks	3,322,876	7,709,087	4,386,210
	Foreign securities	13,978,619	16,132,011	2,153,391
	Other securities	2,638,653	2,899,307	260,654
	Subtotal	22,979,588	30,016,401	7,036,812
Balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	112,000	111,997	(2)
	Monetary receivables purchased	37,166	37,099	(67)
	Domestic bonds	29,495	28,436	(1,058)
	Domestic stocks	945,349	736,886	(20,846)
	Foreign securities	2,669,627	2,591,621	(78,005)
	Other securities	188,375	186,145	(2,229)
	Subtotal	3,982,014	3,692,187	(289,826)
Total		26,961,602	33,708,588	6,746,985

* Securities totaling ¥545,841 million, whose fair value is extremely difficult to determine, are not included in the table above. Impairment losses of ¥11,920 million were recognized for securities with a fair value during the fiscal year ended March 31, 2019.

Regarding stocks (including foreign stocks) with fair values, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding March 31, 2019, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding March 31, 2019, is significant, impairment losses are recognized based on the fair value as of March 31, 2019.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

a. A security for which the average fair value in the month preceding March 31, 2019, is 50% or less of the acquisition cost.

b. A security that meets both of the following criteria:

i) The average fair value in the month preceding March 31, 2019, exceeds 50% but equal to or less than 70% of the acquisition cost.

ii) The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the major monetary claims and liabilities, and redemption amounts for securities with maturities are as follows:

(Million Yen)

	Within one year	Over one year within five years	Over five years within 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	279,300	—	—	—
Available-for-sale securities	279,300	—	—	—
Monetary receivables purchased:	27,000	3,641	41,224	171,869
Policy-reserve-matching bonds	—	3,472	41,224	155,722
Available-for-sale securities	27,000	169	—	16,147
Investments in securities:	1,082,740	4,495,963	11,475,079	25,894,499
Policy-reserve-matching bonds	256,565	1,651,686	4,578,031	13,947,727
Available-for-sale securities	826,174	2,844,277	6,897,047	11,946,771
Loans	893,317	2,562,299	1,648,281	1,746,467
Corporate bonds	—	—	—	1,028,889
Payables under repurchase agreements	709,062	—	—	—
Loans payable	3,948	16,690	3,030	220,000

* Financial instruments, such as policy loans, which do not have a stated maturity date, are not included in the table above. Also, loans to legally or substantially bankrupt borrowers, and borrowers who are not currently legally bankrupt but have a high probability of bankruptcy, amounting to ¥6,478 million, are not included.

19. The balance sheet amount for investment and rental properties was ¥1,155,388 million, with a fair value of ¥1,432,815 million as of March 31, 2019. The Company owns rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2019, is measured based mainly on the "Real Estate Appraisal Standards" in Japan. The amount corresponding to asset retirement obligations that was included in the balance sheet amount of investment and rental properties was ¥3,011 million as of March 31, 2019.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥31,673 million as of March 31, 2019. The details of those balances were as follows:

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,289 million and ¥28,454 million, respectively, as of March 31, 2019.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for such loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.

2) There were no loans delinquent for over three months as of March 31, 2019.
Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥1,930 million as of March 31, 2019.
Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥1,935 million and ¥84 million, respectively as of March 31, 2019.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,131,041 million as of March 31, 2019.

22. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,257,999 million as of March 31, 2019, and a corresponding liability is recorded in the same amount.

23. The total amounts of receivables from and payables to subsidiaries and affiliates were ¥54,229 million and ¥5,367 million, respectively, as of March 31, 2019.

24. Changes in the reserve for dividends to policyholders for the fiscal year ended March 31, 2019, were as follows:

		Million Yen
		Year ended March 31, 2019
a.	Balance at the beginning of the current fiscal year	¥995,167
b.	Transfer to reserve from surplus for the previous fiscal year	¥218,353
c.	Dividends paid to policyholders during the current fiscal year	¥215,540
d.	Increase in interest	¥22,233
e.	Balance at the end of the current fiscal year (a+b-c+d)	¥1,020,213

25. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The Company's corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

26. Other liabilities include subordinated loans payable of ¥220,000 million with special provisions that the fulfillment of obligations on the loans payable is subordinate to all other debt obligations. The Company took out the following yen-denominated subordinated loan on April 22, 2019.

Principal amount	¥90 billion
Interest rate	Fixed rate of 0.95% per annum before April 22, 2029, and a fixed rate with step-up thereafter (reset every five years)
Repayment date	The third bank business day preceding April 22, 2049 (The loan is callable on the third bank business day preceding April 22, 2029, every five years thereafter until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

27. Assets pledged as collateral in the form of investments in securities, land, and buildings as of March 31, 2019, were ¥1,521,608 million, ¥252 million, and ¥45 million, respectively. The total amount of liabilities covered by the assets pledged was ¥742,163 million as of March 31, 2019.

    These amounts included ¥668,928 million of sale of securities under repurchase agreements, ¥709,062 million of payables under repurchase agreements, ¥28,595 million of investments in securities deposited, and ¥32,610 million of cash received as collateral under securities lending transactions secured by cash as of March 31, 2019.

28. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.

29. The total amount of stocks and investments in subsidiaries and affiliates was ¥1,089,182 million as of March 31, 2019.

    Nissay Seiho Preparatory Company Ltd. (the "Preparatory Company"), which was established by the Company on July 2, 2018, changed its name to HANASAKU LIFE INSURANCE Co., Ltd. ("HANASAKU LIFE") on February 1, 2019, following the completion of the acquisition of approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company on the same day.

    1) Purpose of establishing the company

    The purpose of establishing the company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sales channels.

    2) Overview of HANASAKU LIFE

    a. Company name: HANASAKU LIFE INSURANCE Co., Ltd.
    b. Location of its head office: Minato-ku, Tokyo
    c. Capital stock: ¥10 billion

    The Company carried out a capital increase of ¥20 billion in HANASAKU LIFE on April 1, 2019.

    3) Date of establishment

    July 2, 2018

    4) Percentage of voting rights held by the Company

    100%

30. The amount of securities lent under lending agreements was ¥3,327,460 million as of March 31, 2019.

31. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥488,657 million at fair value as of March 31, 2019.

32. The unused amount of commitments related to loans and similar loans agreements was ¥372,534 million as of March 31, 2019.

33. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥77,113 million as of March 31, 2019. The amount contributed to the corporation above was recorded as operating expenses.

34. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel.

The Company also has a defined contribution pension plan.

In addition, the Company has a lump-sum retirement payment plan and an in-house pension plan for sales representatives as a defined benefit plan.

(2) Defined benefit plans

1) Reconciliation of retirement benefit obligations between the beginning and end of the fiscal year

		Million Yen
a.	Retirement benefit obligations at the beginning of the year	¥640,036
b.	Service costs	25,944
c.	Interest cost	3,840
d.	Actuarial losses accrued during the year	4,651
e.	Retirement benefit payments	(42,628)
f.	Retirement benefit obligations at the end of the year (a+b+c+d+e)	¥631,844

2) Reconciliation of pension plan assets between the beginning and end of the fiscal year

		Million Yen
a.	Pension plan assets at the beginning of the year	¥255,668
b.	Expected return on plan assets	3,451
c.	Actuarial gains incurred during the year	1,735
d.	Contributions by the Company	6,574
e.	Retirement benefit payments	(17,401)
f.	Pension plan assets at the end of the year (a+b+c+d+e)	¥250,029

3) Reconciliation of retirement benefit obligations, plan assets, and accrued retirement benefits on the nonconsolidated balance sheet

		Million Yen
a.	Retirement benefit obligations for funded plans	¥274,401
b.	Plan assets	(250,029)
		24,372
c.	Retirement benefit obligations for nonfunded plans	357,443
d.	Unrecognized actuarial gains	(15,918)
e.	Accrued retirement benefits (a+b+c+d)	¥365,897

4) Losses (gains) relating to retirement benefits

		Million Yen
a.	Service costs	¥25,944
b.	Interest cost	3,840
c.	Expected return on plan assets	(3,451)
d.	Amortization of actuarial losses for the period	10,251
e.	Benefit cost for defined benefit plans (a+b+c+d)	¥36,584

5) Plan assets consist of the following major asset categories:

a.	General account of life insurance	
b.	Domestic bonds	51.4%
c.	Foreign securities	21.5%
d.	Cash and deposits	16.1%
e.	Domestic stocks	6.8%
f.	Total (a+b+c+d+e)	100.0%

6) Calculation for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into consideration present and forecasted allocation of the plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the plan assets.

7) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations as of March 31, 2019, are as follows:

a. Discount rate	0.6%
b. Long-term expected rate of return on plan assets	1.4%

(3) Defined contribution plans

The Company contributed ¥2,188 million to the defined contribution plans during the fiscal year ended March 31, 2019.

35. (1) Total deferred tax assets were ¥1,511,165 million and total deferred tax liabilities were ¥1,957,633 million as of March 31, 2019. The deferred tax assets were reduced by the valuation allowance of ¥50,389 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥892,984 million, reserve for price fluctuations in investments in securities of ¥385,481 million, and accrued retirement benefits of ¥102,085 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,869,165 million.

(2) The effective statutory tax rate was 27.9% for the fiscal year ended March 31, 2019. The major factor for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting was a decrease of 21.4% due to the amount of reserve for dividends to policyholders.

36. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, net of tax, are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated by using the listed value of the land and road rate as prescribed by Article 2, Item 1 of the Order for Enforcement of the Act on Revaluation of Land.

37. The amount of policy reserves provided for the portion of reinsurance (the “policy reserves for ceded reinsurance”) as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥279 million as of March 31, 2019.

38. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥4,852,126 million as of March 31, 2019.

6. Nonconsolidated Statements of Income

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Ordinary income:	6,605,036	6,338,509
Revenues from insurance and reinsurance:	4,775,136	4,488,421
Insurance premiums	4,774,223	4,487,627
Reinsurance revenue	912	793
Investment income:	1,649,502	1,652,609
Interest, dividends, and other income:	1,427,665	1,407,350
Interest on deposits and savings	4,868	420
Interest on securities and dividends	1,198,538	1,183,986
Interest on loans	124,582	130,059
Real estate rental income	82,977	80,271
Other income	16,698	12,612
Gain on sales of securities	194,922	179,682
Gain on redemptions of securities	6,187	14,941
Foreign exchange gains, net	2,140	—
Reversal of allowance for doubtful accounts	—	471
Other investment income	1,784	596
Gain from separate accounts, net	16,803	49,566
Other ordinary income:	180,396	197,478
Income from annuity riders	8,959	10,897
Income from deferred benefits	83,119	90,531
Reversal of reserve for outstanding claims	47,274	62,044
Other ordinary income	41,043	34,004

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Ordinary expenses:	6,221,517	5,928,048
Benefits and other payments:	3,654,589	3,663,124
Death and other claims	1,048,516	1,032,798
Annuity payments	791,978	802,214
Health and other benefits	653,486	649,240
Surrender benefits	949,282	926,376
Other refunds	209,971	251,106
Reinsurance premiums	1,354	1,388
Provision for policy reserves:	1,369,830	1,112,934
Provision for policy reserves	1,347,596	1,090,730
Provision for interest on reserve for dividends to policyholders	22,233	22,203
Investment expenses:	345,112	324,200
Interest expenses	30,872	21,923
Loss from assets held in trust, net	2,563	3,276
Loss on sales of securities	138,790	102,833
Loss on valuation of securities	21,371	11,235
Loss on redemptions of securities	8,097	23,359
Loss on derivative financial instruments, net	93,110	105,877
Foreign exchange losses, net	—	9,589
Provision for allowance for doubtful accounts	4,002	—
Provision for allowance for investment loss	1,459	2,918
Depreciation of real estate for rental use and other assets	16,364	14,826
Other investment expenses	28,480	28,360
Operating expenses	611,973	600,571
Other ordinary expenses:	240,011	227,217
Deferred benefit payments	118,984	117,190
Taxes	49,358	46,058
Depreciation	46,595	42,576
Provision for retirement benefits	4,782	2,483
Other ordinary expenses	20,291	18,908

6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Ordinary profit	383,518	410,461
Extraordinary gains:	3,904	16,492
Gain on disposals of fixed assets	3,904	16,492
Extraordinary losses:	111,021	176,850
Loss on disposals of fixed assets	6,413	6,412
Impairment losses	2,148	2,062
Provision for reserve for price fluctuations in investments in securities	99,459	165,399
Contributions for assisting social public welfare	3,000	2,977
Surplus before income taxes	276,400	250,102
Income taxes — current	114,690	104,789
Income taxes — deferred	(97,658)	(97,030)
Total income taxes	17,031	7,758
Net surplus	259,369	242,344

Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2019

1. The total income and expenses from transactions with subsidiaries and affiliates were ¥43,096 million and ¥34,989 million, respectively, for the fiscal year ended March 31, 2019.

2. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥29,912 million, ¥118,672 million, and ¥46,337 million, respectively, for the fiscal year ended March 31, 2019.

3. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥1,802 million, ¥10,065 million, and ¥126,922 million, respectively, for the fiscal year ended March 31, 2019.

4. Loss on valuation of securities includes losses on valuation of domestic stocks and foreign securities of ¥11,035 million and ¥10,336 million, respectively, for the fiscal year ended March 31, 2019.

5. Provision for policy reserves for ceded reinsurance that was added to the calculation of provision for policy reserves was ¥14 million for the fiscal year ended March 31, 2019.

6. (1) Loss from assets held in trust, net includes net valuation losses of ¥1,565 million for the fiscal year ended March 31, 2019.
   (2) Loss on derivative financial instruments, net includes net valuation losses of ¥46,850 million for the fiscal year ended March 31, 2019.

7. Impairment losses are as follows:
   1) Method for grouping the assets
   Real estate for rental use and idle properties are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.

   2) Recognition of impairment losses
   When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

3) Breakdown of asset groups for which impairment losses were recognized for the fiscal year ended March 31, 2019, is as follows:

	Million Yen		
Purpose of use	Land	Buildings	Total
Idle properties	¥1,510	¥638	¥2,148
Total	¥1,510	¥638	¥2,148

4) Measurement of recoverable amount

The recoverable amount is based on either the value in use or net selling price of the asset.

In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0%. Net selling price is determined based on appraisals performed in accordance with the "Real Estate Appraisal Standards" or standard land prices.

7. Nonconsolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2019

(Million Yen)

	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	150,000	1,200,000	651	16,804	40,000	71,917	351	49,708	23,422	170	248,227	450,600	1,801,251
Increase/decrease:													
Additions to reserve for dividends to policyholders											(218,353)	(218,353)	(218,353)
Additions to legal reserve for deficiencies				774							(774)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(790)	(790)	(790)
Net surplus											259,369	259,369	259,369
Redemption of foundation funds	(50,000)												(50,000)
Reversal of the equalized reserve for dividends to policyholders					(30,000)						30,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(3,000)				3,000	—	—
Additions to reserve for reduction entry of real estate								3,802			(3,802)	—	—
Reversal of reserve for reduction entry of real estate								(3,674)			3,674	—	—
Additions to reserve for reduction entry of real estate to be purchased									11,204		(11,204)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(6,023)		6,023	—	—
Reversal of land revaluation losses											(6,299)	(6,299)	(6,299)
Net change, excluding foundation funds and others													
Net change	(50,000)	50,000	—	774	(30,000)	—	—	128	5,180	—	7,843	(16,073)	(16,073)
Ending balance	100,000	1,250,000	651	17,578	10,000	71,917	351	49,836	28,603	170	256,070	434,526	1,785,178

7. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2019

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,882,103	(59,099)	(60,989)	4,762,014	6,563,265
Increase/decrease:					
Additions to reserve for dividends to policyholders					(218,353)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(790)
Net surplus					259,369
Redemption of foundation funds					(50,000)
Reversal of the equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					(6,299)
Net change, excluding foundation funds and others	588	27,883	6,299	34,770	34,770
Net change	588	27,883	6,299	34,770	18,697
Ending balance	4,882,692	(31,216)	(54,690)	4,796,785	6,581,963

7. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2018

(Million Yen)

	Foundation funds and others												
				Surplus									
					Other surplus reserves								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Legal reserve for deficiencies	Equalized reserve for dividends to policyholders	Contingency funds	Reserve for social public welfare assistance	Reserve for reduction entry of real estate	Reserve for reduction entry of real estate to be purchased	Other reserves	Unappropriated surplus	Total surplus	Total foundation funds and others
Beginning balance	150,000	1,150,000	651	16,042	50,000	71,917	328	51,196	5,643	170	245,337	440,635	1,741,286
Increase/decrease:													
Issuance of foundation funds	50,000												50,000
Additions to reserve for dividends to policyholders											(184,086)	(184,086)	(184,086)
Additions to legal reserve for deficiencies				762							(762)	—	—
Additions to reserve for redemption of foundation funds		50,000									(50,000)	(50,000)	—
Interest on foundation funds											(1,198)	(1,198)	(1,198)
Net surplus											242,344	242,344	242,344
Redemption of foundation funds	(50,000)												(50,000)
Reversal of the equalized reserve for dividends to policyholders					(10,000)						10,000	—	—
Additions to reserve for social public welfare assistance							3,000				(3,000)	—	—
Reversal of reserve for social public welfare assistance							(2,977)				2,977	—	—
Additions to reserve for reduction entry of real estate								1,453			(1,453)	—	—
Reversal of reserve for reduction entry of real estate								(2,942)			2,942	—	—
Additions to reserve for reduction entry of real estate to be purchased									23,415		(23,415)	—	—
Reversal of reserve for reduction entry of real estate to be purchased									(5,636)		5,636	—	—
Reversal of land revaluation losses											2,905	2,905	2,905
Net change, excluding foundation funds and others													
Net change	－	50,000	－	762	(10,000)	－	23	(1,488)	17,778	－	2,889	9,965	59,965
Ending balance	150,000	1,200,000	651	16,804	40,000	71,917	351	49,708	23,422	170	248,227	450,600	1,801,251

7. Nonconsolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2018

(Million Yen)

	Valuations, conversions, and others				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Total valuations, conversions, and others	
Beginning balance	4,585,298	(65,262)	(58,084)	4,461,951	6,203,237
Increase/decrease:					
Issuance of foundation funds					50,000
Additions to reserve for dividends to policyholders					(184,086)
Additions to legal reserve for deficiencies					—
Additions to reserve for redemption of foundation funds					—
Interest on foundation funds					(1,198)
Net surplus					242,344
Redemption of foundation funds					(50,000)
Reversal of the equalized reserve for dividends to policyholders					—
Additions to reserve for social public welfare assistance					—
Reversal of reserve for social public welfare assistance					—
Additions to reserve for reduction entry of real estate					—
Reversal of reserve for reduction entry of real estate					—
Additions to reserve for reduction entry of real estate to be purchased					—
Reversal of reserve for reduction entry of real estate to be purchased					—
Reversal of land revaluation losses					2,905
Net change, excluding foundation funds and others	296,805	6,162	(2,905)	300,062	300,062
Net change	296,805	6,162	(2,905)	300,062	360,028
Ending balance	4,882,103	(59,099)	(60,989)	4,762,014	6,563,265

8. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

		Year ended March 31, 2019	Year ended March 31, 2018
Core operating profit (A)		678,212	668,249
Capital gains:		216,705	217,621
	Gain on proprietary trading securities	—	—
	Gain from assets held in trust, net	—	—
	Gain on trading securities	—	—
	Gain on sales of securities	194,922	179,682
	Gain on derivative financial instruments, net	—	—
	Foreign exchange gains, net	2,140	—
	Other capital gains	19,643	37,938
Capital losses:		270,492	244,536
	Loss on proprietary trading securities	—	—
	Loss from assets held in trust, net	2,563	3,276
	Loss on trading securities	—	—
	Loss on sales of securities	138,790	102,833
	Loss on valuation of securities	21,371	11,235
	Loss on derivative financial instruments, net	93,110	105,877
	Foreign exchange losses, net	—	9,589
	Other capital losses	14,656	11,724
Net capital losses (B)		(53,786)	(26,915)
Core operating profit, including net capital losses (A+B)		624,426	641,334
Nonrecurring gains:		—	165
	Reinsurance revenue	—	—
	Reversal of contingency reserve	—	—
	Reversal of specific allowance for doubtful accounts	—	165
	Other nonrecurring gains	—	—
Nonrecurring losses:		240,907	231,039
	Reinsurance premiums	—	—
	Provision for contingency reserve	113,751	139,929
	Provision for specific allowance for doubtful accounts	4,405	—
	Provision for allowance for specific overseas loans	—	—
	Write-offs of loans	—	—
	Other nonrecurring losses	122,751	91,110
Net nonrecurring losses (C)		(240,907)	(230,873)
Ordinary profit (A+B+C)		383,518	410,461

(Reference) Breakdown of “Other” items

(Million Yen)

		Year ended March 31, 2019	Year ended March 31, 2018
Core operating profit		(4,986)	(26,214)
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	14,656	11,724
	Impact of market exchange rate movements related to foreign currency-denominated insurance policies	(18,471)	(35,187)
	Impact of movements in surrender benefits related to market value adjustment	(1,171)	(2,750)
Other capital gains		19,643	37,938
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	—	—
	Impact of market exchange rate movements related to foreign currency-denominated insurance policies	18,471	35,187
	Impact of movements in surrender benefits related to market value adjustment	1,171	2,750
Other capital losses		14,656	11,724
	Interest income and expenses related to swap transactions for foreign currency-denominated insurance products and swap transactions for hedging purposes	14,656	11,724
	Impact of market exchange rate movements related to foreign currency-denominated insurance policies	—	—
	Impact of movements in surrender benefits related to market value adjustment	—	—
Other nonrecurring gains		—	—
	Reversal of allowance for investment loss	—	—
Other nonrecurring losses		122,751	91,110
	Provision for allowance for investment loss	1,459	2,918
	Provision for additional policy reserves	121,292	88,192

9. Nonconsolidated Proposed Appropriations of Surplus

(Thousand Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Unappropriated surplus	256,070,286	248,227,021
Reversal from voluntary surplus reserve:	25,746,117	39,697,424
Reversal of equalized reserve for dividends to policyholders	10,000,000	30,000,000
Reversal of reserve for reduction entry of real estate	1,270,042	3,674,119
Reversal of reserve for reduction entry of real estate to be purchased	14,476,074	6,023,305
Total	281,816,403	287,924,446
Appropriations:	281,816,403	287,924,446
Reserve for dividends to policyholders	211,818,691	218,353,870
Net surplus:	69,997,712	69,570,576
Legal reserve for deficiencies	816,000	774,000
Reserve for redemption of foundation funds	50,000,000	50,000,000
Interest on foundation funds	355,000	790,000
Voluntary surplus reserve:	18,826,712	18,006,576
Reserve for social public welfare assistance	3,000,000	3,000,000
Reserve for reduction entry of real estate	15,163,274	3,802,405
Reserve for reduction entry of real estate to be purchased	663,437	11,204,171
Surplus carried forward	—	—

10. Status of Nonperforming Assets According to Borrower's Classification

(Million Yen, %)

	As of March 31, 2019	As of March 31, 2018
Bankrupt and quasi-bankrupt loans	10,066	10,179
Doubtful loans	19,678	17,337
Substandard loans	1,930	2,188
Subtotal	31,675	29,705
[Percentage of total, %]	[0.29]	[0.29]
Normal loans	10,830,912	10,297,839
Total	10,862,587	10,327,545

Notes:
1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt.
3. Substandard loans include loans that are delinquent for over three months as well as restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months following the due date described in loan agreements (excluding 1. and 2. in the notes above). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to borrowers (excluding 1. and 2. in the notes above and loans that are delinquent for over three months).
4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the notes above and where the debtor has no financial or business performance problems.

Supplemental information for borrowers' classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customers' liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2019 and 2018, were ¥2,019 million and ¥102 million, respectively.

11. Status of Risk-Monitored Loans

(Million Yen, %)

	As of March 31, 2019	As of March 31, 2018
Loans to bankrupt borrowers	1,289	1,501
Delinquent loans	28,454	26,014
Loans that are delinquent for over three months	—	—
Restructured loans	1,930	2,188
Total [Percentage of total loans, %]	31,673 [0.43]	29,704 [0.40]

Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. Such loans to bankrupt borrowers and delinquent loans were ¥1,935 million and ¥84 million, respectively, as of March 31, 2019, and ¥13 million and ¥88 million, respectively, as of March 31, 2018.
2. Loans to bankrupt borrowers are loans for which interest is not accrued as income since the recovery of principal or interest on the loan is unlikely due to the fact that the principal repayments or interest payments are overdue for a significant period of time or for other reasons; and loans are extended to any of (a) borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act; (b) borrowers that have notes suspended from being traded; or (c) borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
3. Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.
4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months.
6. Accrued interest for the following loans is not recorded as revenue: loans to borrowers who are bankrupt, substantially bankrupt, or potentially bankrupt based on the result of asset self-assessment.

12. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018	Difference
(1) Breakdown of allowance for doubtful accounts			
(A) General allowance for doubtful accounts	794	1,197	(402)
(B) Specific allowance for doubtful accounts	3,669	1,204	2,465
(C) Allowance for specific overseas loans	—	—	—
(2) Specific allowance for doubtful accounts			
(A) Provision	5,689	1,306	4,382
(B) Reversal	1,283	1,472	(188)
[excluding reversals with write-offs]			
(C) Net provision	4,405	(165)	4,571
(3) Allowance for specific overseas loans			
(A) Number of countries	—	—	—
(B) Loan amount	—	—	—
(C) Provision	—	—	—
(D) Reversal	—	—	—
(4) Write-offs	—	—	—

Reference

Status of Borrower Classification

(100 Million Yen, %)

	As of March 31, 2019		As of March 31, 2018	
		Percentage		Percentage
Loan balances (Net of write-offs in category IV)	74,387	100.0	74,683	100.0
Noncategorized	74,115	99.6	74,249	99.4
Category II	241	0.3	430	0.6
Category III	30	0.0	2	0.0
Category IV	—	—	—	—

Notes: 1. Specific allowances for doubtful accounts in Category III were ¥2.6 billion and ¥0.2 billion as of March 31, 2019 and 2018, respectively.
2. Total amounts of direct write-offs in Category IV were ¥2.0 billion and ¥0.1 billion for the years ended March 31, 2019 and 2018, respectively.

13. Solvency Margin Ratio

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Solvency margin gross amount (A):	14,177,668	13,584,981
Foundation funds (*kikin*) and other reserve funds:	4,992,846	4,790,201
Foundation funds and others	1,573,004	1,582,107
Reserve for price fluctuations in investments in securities	1,381,653	1,282,194
Contingency reserve	1,777,111	1,663,360
General allowance for doubtful accounts	794	1,197
Others	260,282	261,341
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	5,995,119	5,996,439
Net unrealized gains on real estate × 85%	358,288	259,736
Excess of continued Zillmerized reserve	1,566,354	1,476,998
Qualifying subordinated debt	1,248,889	1,028,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(13,021)	(344)
Others	29,191	33,061
Total amount of risk (B): $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	3,038,049	2,959,907
Underwriting risk (R_1)	117,577	119,879
Underwriting risk of third-sector insurance (R_8)	81,303	79,238
Anticipated yield risk (R_2)	364,647	371,230
Minimum guarantee risk (R_7)	5,576	5,564
Investment risk (R_3)	2,597,831	2,514,457
Business management risk (R_4)	63,338	61,807
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	933.3%	917.9%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.
2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

Reference

Policy Reserve Valuation Method and Ratio for Individual Insurance and Annuities

	As of March 31, 2019	As of March 31, 2018
Policies subject to the standard policy reserve	Net level premium method	Net level premium method
Policies not subject to the standard policy reserve	Net level premium method	Net level premium method
Ratio (excluding contingency reserve)	100.0%	100.0%

Notes: 1. Individual insurance and annuities are within the scope of the application of the valuation method and ratio. Policy reserves for group insurance and annuities are not included in the figures above due to the absence of an accumulation method.

2. The valuation ratio for policies subject to the standard policy reserve is calculated in accordance with the method that the Prime Minister prescribed by means of Ordinance No. 48 issued by the Ministry of Finance in 1996. The ratio for policies not subject to the standard policy reserve represents the ratio for the insurance premiums reserve calculated by the net level premium method and unearned premium.

14. Status of Separate Accounts as of March 31, 2019

(1) Balance of Separate Account Assets

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Individual variable insurance	110,135	114,872
Individual variable annuities	41,251	43,478
Group annuities	1,106,612	1,135,789
Separate account total	1,257,999	1,294,140

(2) Status of Separate Accounts for Individual Variable Insurance

1) Policies in Force

	As of March 31, 2019		As of March 31, 2018	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Variable insurance (defined term type)	8,395	6,510	2,273	2,610
Variable insurance (whole life type)	31,966	449,867	32,628	463,376
Total	40,361	456,377	34,901	465,987

2) Breakdown of Separate Account Assets' Year-End Balance (Individual Variable Insurance)

(Million Yen, %)

	As of March 31, 2019		As of March 31, 2018	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	6,013	5.5	5,020	4.4
Investments in securities:	98,282	89.2	98,803	86.0
Domestic bonds	23,550	21.4	24,508	21.3
Domestic stocks	34,351	31.2	35,204	30.6
Foreign securities:	35,043	31.8	38,067	33.1
Foreign bonds	8,661	7.9	12,313	10.7
Foreign stocks and other securities	26,382	24.0	25,753	22.4
Other securities	5,336	4.8	1,022	0.9
Loans	—	—	—	—
Others	5,839	5.3	11,048	9.6
Allowance for doubtful accounts	—	—	—	—
Total	110,135	100.0	114,872	100.0

3) Investment Income and Expenses from Separate Accounts (Individual Variable Insurance)

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
	Amount	Amount
Interest, dividends, and other income	1,995	2,015
Gain on sales of securities	7,550	10,184
Gain on redemptions of securities	—	—
Gain on valuation of securities	(3,434)	(1,489)
Foreign exchange gains, net	176	223
Gain on derivative financial instruments, net	1,264	1,021
Other investment income	6	8
Loss on sales of securities	2,697	1,721
Loss on redemptions of securities	—	—
Loss on valuation of securities	2,401	(347)
Foreign exchange losses, net	164	231
Loss on derivative financial instruments, net	886	1,314
Other investment expenses	1	2
Net investment income	1,407	9,041

(3) Status of Separate Accounts for Individual Variable Annuities

1) Policies in Force

	As of March 31, 2019		As of March 31, 2018	
	Number of policies	Amount of policies (million yen)	Number of policies	Amount of policies (million yen)
Individual variable annuities	33,554	41,240	23,519	43,472

2) Breakdown of Separate Account Assets' Year-End Balance (Individual Variable Annuities)

(Million Yen, %)

	As of March 31, 2019		As of March 31, 2018	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits, and call loans	—	—	—	—
Investments in securities:	40,077	97.2	42,021	96.6
Domestic bonds	7,918	19.2	8,997	20.7
Domestic stocks	—	—	—	—
Foreign securities:	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks and other securities	—	—	—	—
Other securities	32,158	78.0	33,023	76.0
Loans	—	—	—	—
Others	1,173	2.8	1,456	3.4
Allowance for doubtful accounts	—	—	—	—
Total	41,251	100.0	43,478	100.0

3) Investment Income and Expenses from Separate Accounts (Individual Variable Annuities)

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
	Amount	Amount
Interest, dividends, and other income	1,696	3,787
Gain on sales of securities	260	298
Gain on redemptions of securities	—	—
Gain on valuation of securities	(2,874)	(641)
Foreign exchange gains, net	—	—
Gain on derivative financial instruments, net	—	—
Other investment income	0	0
Loss on sales of securities	21	7
Loss on redemptions of securities	—	—
Loss on valuation of securities	1,270	(41)
Foreign exchange losses, net	—	—
Loss on derivative financial instruments, net	—	—
Other investment expenses	0	0
Net investment income	(2,210)	3,477

15. Status of the Company, Subsidiaries, and Affiliates

(1) Selected Financial Data for Major Operations

(100 Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Ordinary income	82,271	76,098
Ordinary profit	4,284	4,718
Net surplus attributable to the parent company	2,787	2,439
Comprehensive income	3,073	5,951

	As of March 31, 2019	As of March 31, 2018
Total assets	788,095	743,925
Solvency margin ratio	997.3%	968.0%

(2) Scope of Consolidation and Application of the Equity Method

	As of March 31, 2019
Number of consolidated subsidiaries	12
Number of subsidiaries not consolidated but accounted for under the equity method	0
Number of affiliates accounted for under the equity method	14
Changes in significant subsidiaries and affiliates during the period	Additions: 1 Nippon Wealth Life Insurance Company Limited

(3) Policies for Preparing the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 12 entities

Nissay Credit Guarantee Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Mitsui Life Insurance Company Limited (Japan)
Nippon Wealth Life Insurance Company Limited
Nippon Life Insurance Company of America
NLI Commercial Mortgage Fund, LLC
NLI Commercial Mortgage Fund Ⅱ, LLC
NLI US Investments, Inc.
MLC Limited

As the Company acquired equity interest in MassMutual Life Insurance Company, it is included within the scope of consolidation starting from the fiscal year ended March 31, 2019. The said company was renamed as Nippon Wealth Life Insurance Company Limited on January 1, 2019.

Additionally, Mitsui Life Insurance Company Limited was renamed as TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.

Major unconsolidated subsidiaries are Nippon Life Global Investors Americas, Inc.; Nissay Shoji Co., Ltd.; and Nissay Insurance Agency Co.; Ltd. Unconsolidated subsidiaries have minimal balances or amounts of total assets, revenue, net income, and surplus for the fiscal year ended March 31, 2019, which are immaterial enough to be excluded from consolidation given that they would not affect reasonable judgements to be made on the financial position and financial results of Nippon Life Group.

2) Equity method affiliates

Number of unconsolidated equity method affiliates: None

Number of affiliates accounted for under the equity method: 14 entities

Major affiliates accounted for under the equity method as of March 31, 2019, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)
Corporate-Pension Business Service Co., Ltd. (Japan)
Great Wall Changsheng Life Insurance Co., Ltd. (China)
Bangkok Life Assurance Public Company Limited (Thailand)
Reliance Nippon Life Insurance Company Limited (India)
Reliance Nippon Life Asset Management Limited (India)
Post Advisory Group, LLC (U.S.A.)
PT Sequis (Indonesia)
PT Asuransi Jiwa Sequis Life (Indonesia)
The TCW Group, Inc. and four other companies

Unconsolidated subsidiaries, including Nippon Life Global Investors Americas, Inc. and Nissay Shoji Co., Ltd., as well as affiliates other than those listed above, such as SL Towers Co., Ltd., are not accounted for under the equity method as respective and aggregate effects of such companies on the Company's consolidated net income and surplus for the fiscal year ended March 31, 2019, are immaterial.

3) Reporting date for consolidated subsidiaries

The fiscal year-end date of consolidated overseas subsidiaries is December 31. In preparing the consolidated financial statements, consolidated overseas subsidiaries are consolidated using financial statements as of and for the year ended December 31, and necessary adjustments are made to reflect significant transactions that occurred between the Company's fiscal year-end date of March 31 and December 31.

4) Amortization of goodwill

Goodwill and the equivalent amount of goodwill from affiliates accounted for under the equity method are amortized under the straight-line method over 20 years. However, for items that are immaterial, the total amount of goodwill is fully amortized as incurred.

(4) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Assets:		
Cash and deposits	1,541,390	1,405,704
Call loans	429,912	471,113
Monetary receivables purchased	401,938	288,752
Assets held in trust	13,357	10,621
Investments in securities	64,458,905	60,106,713
Loans	8,510,520	8,630,122
Tangible fixed assets:	1,907,653	1,857,734
Land	1,262,159	1,232,389
Buildings	579,064	541,877
Lease assets	7,040	9,260
Construction in progress	15,840	43,376
Other tangible fixed assets	43,548	30,829
Intangible fixed assets:	263,513	255,722
Software	124,250	92,569
Goodwill	44,214	52,674
Other intangible fixed assets	95,047	110,479
Reinsurance receivables	9,368	11,577
Other assets	1,199,998	1,299,200
Deferred tax assets	9,140	6,154
Customers’ liability for acceptances and guarantees	71,016	52,928
Allowance for doubtful accounts	(7,198)	(3,828)
Total assets	78,809,517	74,392,516

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Liabilities:		
Policy reserves and other reserves:	65,483,705	61,523,014
Reserve for outstanding claims	302,778	332,590
Policy reserves	64,100,386	60,130,178
Reserve for dividends to policyholders (mutual company)	1,020,213	995,167
Reserve for dividends to policyholders (limited company)	60,326	65,078
Reinsurance payables	8,424	6,566
Corporate bonds	1,175,589	1,108,889
Other liabilities	2,518,762	2,244,558
Accrued bonuses for directors, and audit and supervisory board members	106	90
Net defined benefit liability	440,556	443,161
Accrued retirement benefits for directors, and audit and supervisory board members	4,905	5,503
Reserve for program points	9,203	9,411
Reserve for price fluctuations in investments in securities	1,460,182	1,345,987
Deferred tax liabilities	555,094	625,202
Deferred tax liabilities for land revaluation	103,748	104,828
Acceptances and guarantees	71,016	52,928
Total liabilities	71,831,296	67,470,142

(4) Consolidated Balance Sheets (Continued)

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Net assets:		
Foundation funds	100,000	150,000
Reserve for redemption of foundation funds	1,250,000	1,200,000
Reserve for revaluation	651	651
Consolidated surplus	629,555	625,131
Total foundation funds and others	1,980,206	1,975,782
Net unrealized gains on available-for-sale securities	4,943,922	4,918,602
Deferred losses on derivatives under hedge accounting	(31,643)	(59,092)
Land revaluation losses	(54,690)	(60,989)
Foreign currency translation adjustments	(4,853)	28,706
Remeasurement of defined benefit plans	(13,494)	(18,632)
Total accumulated other comprehensive income	4,839,241	4,808,594
Noncontrolling interests	158,772	137,996
Total net assets	6,978,221	6,922,373
Total liabilities and net assets	78,809,517	74,392,516

Notes to the Consolidated Balance Sheets as of March 31, 2019

1. (1) Securities of the Company and its certain consolidated subsidiaries (including items, such as deposits and monetary receivables purchased, which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:

    1) Trading securities are stated at fair value at the balance sheet date. The moving average method is used for calculating cost of securities sold.

    2) Held-to-maturity debt securities are measured at amortized cost using the moving average method. The cost of securities is amortized on a straight-line basis.

    3) Policy-reserve-matching bonds are measured at amortized cost using the moving average method. The cost of bonds is amortized on a straight-line basis in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

    4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for under the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act or subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are stated at cost using the moving average method.

    5) Available-for-sale securities

        a. Regarding securities with a fair value, stocks (including foreign stocks) are measured at the average fair value based on quoted market prices during the period of one month before the balance sheet date (cost of securities sold is calculated using the moving average method). Other securities with a fair value are measured at the fair value at the balance sheet date (cost of securities sold is calculated using the moving average method).

        b. Of securities of which fair value is extremely difficult to be determined, bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are measured at amortized cost using the moving average method. The cost of those bonds is amortized on a straight-line basis. Other securities without readily determinable fair values are stated at cost using the moving average method.

   (2) Unrealized gains/losses of available-for-sale securities are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the subgroups classified by insurance type, payment method, maturity period, currency, and investment policy are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

The Company has specified the following types of insurance policies and set those as subcategories:

(1) The Company

1) All insurance policies for products other than single payment products and group annuities
2) All insurance policies for single payment products (denominated in yen) other than variable assumed rate-type insurance
3) All insurance policies for group annuities other than guaranteed fixed-term rate products
4) All single payment products (denominated in U.S. dollars) other than the foregoing
5) All single payment products (denominated in Australian dollars) other than the foregoing
6) All single payment products (denominated in euros) other than the foregoing

(2) Mitsui Life Insurance Company Limited

1) Whole life insurance and annuity insurance (up to 40 years) (the component of future cash flows generated from whole life insurance (including whole life insurance with term rider) and annuity insurance for up to 40 years)
2) Insured contributory pension plans (up to 27 years) (future cash flows generated from insured contributory pension plans for the period up to 27 years)
3) Foreign currency-denominated single payment endowment insurance (U.S. dollar) (foreign currency-denominated, U.S. dollar, single payment endowment insurance commencing on or after January 1, 2019)
4) Foreign currency-denominated single payment endowment insurance (Australian dollars) (foreign currency-denominated, Australian dollars, single payment endowment insurance commencing on or after October 1, 2017)

In the fiscal year ended March 31, 2019, the subgroups of insurance products covered by policy-reserve-matching bonds were revised in order to further promote ALM. Specifically, a subcategory of whole life insurance and annuity insurance (up to 40 years) has been created by extending the covered term for the previous subcategory of whole life insurance and annuity insurance (8-27 years). Additionally, a new subgroup has been created for foreign currency-denominated single payment endowment insurance (U.S. dollar).

There has been no impact on profit or loss for the fiscal year ended March 31, 2019, as a result of this revision.

(3) Nippon Wealth Life Insurance Company Limited

1) Single payment fixed annuities, single payment fixed whole life insurance, single payment life insurance with living benefits, and single payment insurance against three major diseases (excluding single payment fixed annuities commencing on or after April 1, 2006, and for which the insured was 80 years of age or older as of the date the policy was concluded).
2) Single payment fixed whole life insurance (fixed accumulation value type)
3) Whole life cancer insurance and endowment insurance
4) U.S. dollar-denominated single payment fixed annuities and U.S. dollar-denominated single payment fixed whole life insurance
5) Australian dollar-denominated single payment fixed annuities
6) Insurance and annuities other than the above (certain types of insurance are excluded)

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value based on quoted market prices.

4. (1) Tangible fixed assets are depreciated based on the following methods:
   a. Tangible fixed assets (except for lease assets)
      (i) Buildings
          Straight-line method.
      (ii) Assets other than the above
          Primarily, the declining-balance method.
          Certain other tangible fixed assets with an acquisition cost of less than ¥200,000 of the Company and its certain consolidated subsidiaries are depreciated over three years on a straight-line basis.
   b. Lease assets
      (i) Lease assets related to financial leases that transfer ownership of the leased property to the lessee
          The same depreciation method applied to self-owned fixed assets.
      (ii) Lease assets related to financial leases that do not transfer ownership of the leased property to the lessee
          Straight-line method over the lease term

   (2) Software, which is included in intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen in accordance with the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).

   Foreign currency-denominated available-for-sale securities of the Company with exchange rates that have significantly fluctuated and where those recoveries are not expected are converted to Japanese yen using either the rate at the balance sheet date or the one-month average rate prior to the balance sheet date, whichever indicates a weaker yen. The translation difference is recorded as a loss on valuation of securities.

   Translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as foreign exchange gains/losses in net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

6. (1) An allowance for doubtful accounts for the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule as follows:.

    1) An allowance for loans to borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).
    2) An allowance for loans to borrowers who are not currently legally bankrupt but have a high possibility of bankruptcy is recognized at the amounts deemed necessary considering the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.
    3) An allowance for loans to borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average percentage of bad debt for a certain period.

   (2) All credits extended by the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

   (3) For consolidated subsidiaries, the Company and its consolidated subsidiaries record allowance for doubtful accounts deemed necessary mainly in accordance with the Company's internal Asset Valuation Regulation and Write-off/Provision Rule.

   (4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥3,342 million (including ¥91 million of credits secured and/or guaranteed) as of March 31, 2019.

7. Accrued bonuses for directors, and audit and supervisory board members are recognized based on amounts estimated to be paid.

8. (1) Net defined benefit liability is recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets as of March 31, 2019, for future payment of employee retirement benefits that have been accrued.

   (2) Basis used for accounting for retirement benefits of the Company and its certain consolidated subsidiaries are as follows:

   1) Attribution method for estimated retirement benefits: Benefit formula basis

   2) Amortization period for actuarial gains/losses: Five years

   3) Amortization period for prior service costs: Five years

9. Accrued retirement benefits for directors, and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

11. A reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. In finance leases where the Company’s consolidated subsidiary is the lessor that do not transfer ownership of the leased property to the lessee, the consolidated subsidiary recognizes sales revenue and cost of sales at the time of receiving the lease payments.

13. Hedge accounting is applied by the Company and its certain consolidated subsidiaries based on the following methods:

1) The Company and its consolidated subsidiaries mainly apply the following hedge accounting methods:

- The exceptional accounting treatment ("*Tokurei-shori*") is applied to interest rate swaps to hedge the cash flow volatility of certain loans denominated in Japanese yen and foreign currencies;
- Deferred hedge accounting is applied to interest rate swaps to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry," issued by the JICPA;
- Deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") are applied to currency swaps to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, loans, and subordinated corporate bonds issued by the Company and its consolidates subsidiaries;
- Fair value hedge accounting is applied to foreign exchange forward contracts to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments; and
- Fair value hedge accounting is applied to equity forward contracts to hedge the price fluctuation exposures on certain domestic stocks.

2) Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swaps	Loans, foreign currency-denominated loans, and insurance policies
Currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds
Foreign exchange forward contracts	Foreign currency-denominated bonds and other instruments
Equity forward contracts	Domestic stocks

3) Effectiveness of hedging activities is mainly evaluated by a ratio analysis of fair value movement comparisons of the hedging instruments and hedged items in accordance with the internal risk management policies of the Company and its certain consolidated subsidiaries.

14. All transactions are accounted for exclusive of consumption taxes and local consumption taxes of the Company and its certain consolidated subsidiaries; however, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

15. In December 2018, the Company and its certain subsidiaries requested for approval to apply the consolidated taxation system, and the consolidated taxation system is to be applied from the following fiscal year. Accordingly, effective from the fiscal year ended March 31, 2019, the Company and its certain subsidiaries have applied accounting treatments based on the application of the consolidated taxation system in accordance with the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ, PITF No. 5) and the "Revised Practical Solution for Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ, PITF No. 7).

16. (1) Policy reserves of the Company and its consolidated subsidiaries that are domestic life insurance companies are reserves set forth in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for certain individual annuity policies.

1) Reserves for policies subject to the standard policy reserve are calculated in accordance with the method prescribed by the Commissioner of the Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
2) Reserves for other policies are calculated based on the net level premium method.

Effective from the fiscal year ended March 31, 2019, the Company has reserved additional policy reserve amounts over a five-year period to cover a possible deficiency in the amount of the reserve for certain individual annuity policyholders. As a result, the policy reserves increased by ¥121,292 million, while ordinary profit and surplus before income taxes decreased by ¥121,292 million, compared with amounts that would have been recorded had the additional policy reserve amounts not been included.

(2) Policy reserves of consolidated overseas life insurance companies are recorded as the amounts calculated in accordance with the accounting standards of each country, such as Australian accounting standards.

17. Regarding the investment of the general accounts (except for separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company and its certain consolidated subsidiaries have built a portfolio geared toward mid- to long-term investment and formulated an investment plan, considering the outlook of the investment environment.

    Based on the plan above, in order to reliably perform benefits and other payments in the future, the Company and its certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the core assets of the Company and its certain consolidated subsidiaries, and from the viewpoint of improving profit in the mid- to long-term, the Company and its certain consolidated subsidiaries invest in stocks and foreign securities. Also, from the perspective of effective investment, the Company and its certain consolidated subsidiaries mainly use derivative transactions for controlling asset investment risks. Specifically, the Company and its certain consolidated subsidiaries use interest rate swaps and interest rate swaptions for interest rate-related investments; foreign exchange forward contracts, currency options, and currency swaps for currency- related investments; and equity forward contracts, equity index futures, and equity index options for equity-related investments. The Company and its certain consolidated subsidiaries apply hedge accounting to certain derivative transactions above.

    Primarily, securities are exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to risk of incurring losses when the fair value of investment assets declines due to factors, such as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of a party to whom credit has been extended. Credit risk includes country risk. These risks are managed according to internal rules regarding investment risk managements.

    To manage market risk, the Company and its certain consolidated subsidiaries have set investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company and its certain consolidated subsidiaries monitor and regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and have developed a framework to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the portfolio of the Company and its certain consolidated subsidiaries, they use a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and appropriately allocate assets within acceptable boundaries of risk.

To manage credit risk, the Company and its certain consolidated subsidiaries have built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company and its certain consolidated subsidiaries also continue to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns that the Company and its certain consolidated subsidiaries obtain are commensurate with the risk; a system of internal ratings for classifying the creditworthiness of borrowers; and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company and its certain consolidated subsidiaries calculate credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company and its certain consolidated subsidiaries as a whole, and monitor whether the magnitude of risk stays within an appropriate range.

18. (1) Consolidated balance sheet amounts and fair values of major financial instruments, and their differences are as follows:

(Million Yen)

	Consolidated balance sheet amount (*1)	Fair value (*2)	Difference
Cash and deposits (negotiable certificates of deposit):	353,297	353,297	—
Available-for-sale securities	353,297	353,297	—
Monetary receivables purchased:	401,938	417,895	15,956
Held-to-maturity debt securities	42,643	43,509	866
Policy-reserve-matching bonds	276,351	291,441	15,090
Available-for-sale securities	82,943	82,943	—
Assets held in trust:	13,357	13,357	—
Trading securities	13,157	13,157	—
Available-for-sale securities	200	200	—
Investments in securities:	63,440,561	68,136,757	4,696,196
Trading securities	1,434,953	1,434,953	—
Held-to-maturity debt securities	396,652	410,170	13,517
Policy-reserve-matching bonds	24,006,004	28,635,239	4,629,235
Investments in subsidiaries and affiliates	83,426	136,869	53,443
Available-for-sale securities	37,519,524	37,519,524	—
Loans (*3):	8,506,010	8,792,197	286,187
Policy loans	638,102	638,102	—
Industrial and consumer loans	7,867,907	8,154,094	286,187
Derivative financial instruments (*4):	48,762	48,762	—
Hedge accounting not applied	89,282	89,282	—
Hedge accounting applied	(40,519)	(40,519)	—
Corporate bonds (*3 and *5)	(1,175,589)	(1,217,913)	(42,324)
Cash received as collateral under securities lending transactions (*5)	(918,495)	(918,495)	—
Loans payable (*3 and *5)	(441,885)	(445,882)	(3,996)

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amounts are presented net of the allowance.

(*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2019, the fair value is the consolidated balance sheet amount net of the impairment losses recognized.

(*3) The fair values of derivative financial instruments that are interest rate swaps to which exceptional accounting treatment (“*Tokurei-shori*”) is applied or currency swaps to which designated hedge accounting (“*Furiate-shori*”) is applied are included in the fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.

(*4) Receivables and payables generated by derivative financial instruments are offset and presented in net amounts. Net payables in total are presented in parentheses.

(*5) Corporate bonds, cash received as collateral under securities lending transactions, and loans payable are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the major financial instruments of the Company and its certain consolidated subsidiaries are as follows:

1) Securities, deposits, and monetary receivables purchased that are treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured by discounting future cash flows to present value or valuations obtained from external parties.

2) Loans

a. Policy loans

Fair value is measured at the book value of policy loans as the fair value is deemed to approximate book value due to expected repayment periods, interest rate requirements, and other conditions. These loans have no repayment date based on characteristics, such as the loan amount being limited to the extent of the surrender benefit.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans. Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Fair value of loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy are measured by deducting the estimated uncollectible amount from the book value prior to direct write-offs.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price at the balance sheet date.

b. Fair value of equity options is measured mainly based on liquidation value or closing market price at the balance sheet date or valuations obtained from external parties.

c. Fair value of interest rate swaps, interest rate swaptions, foreign exchange contracts, currency options, currency swaps, and forward contracts is measured mainly based on valuations obtained from external parties.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value at the balance sheet date.

6) Cash received as collateral under securities lending transactions

Fair value is measured at the book value of cash received as collateral under securities lending transactions due to their short-term settlement terms.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate their book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured, in principle, by discounting future cash flows to present value; however, loans payable financed by means of public offerings employing securitization schemes are measured at the fair value of the corporate bonds issued to back the loans payable.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items of which the fair value is extremely difficult to be determined are not included in investments in securities in table (1). The consolidated balance sheet amount of the foregoing was ¥1,018,344 million as of March 31, 2019.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust, investments in securities for separate accounts, and certain other securities are classified as trading securities. Valuation gains/losses of those instruments included in profit and loss were losses of ¥37,796 million for the current fiscal year ended March 31, 2019.

2) Held-to-maturity debt securities

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	25,671	26,652	981
	Domestic bonds	70,377	71,521	1,144
	Foreign securities	300,306	313,013	12,707
	Subtotal	396,354	411,188	14,833
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	16,972	16,857	(115)
	Domestic bonds	2,095	2,093	(1)
	Foreign securities	23,873	23,540	(332)
	Subtotal	42,941	42,491	(449)
Total		439,295	453,679	14,384

3) Policy-reserve-matching bonds

Consolidated balance sheet amounts and fair values, and their differences by type are as follows:

(Million Yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds the consolidated balance sheet amount	Monetary receivables purchased	268,210	283,375	15,165
	Domestic bonds	23,155,149	27,748,219	4,593,069
	Foreign securities	706,819	747,296	40,477
	Subtotal	24,130,180	28,778,891	4,648,711
Fair value does not exceed the consolidated balance sheet amount	Monetary receivables purchased	8,141	8,066	(74)
	Domestic bonds	28,759	28,604	(155)
	Foreign securities	115,274	111,119	(4,155)
	Subtotal	152,175	147,789	(4,386)
Total		24,282,355	28,926,681	4,644,325

4) Available-for-sale securities

Acquisition cost or amortized cost, and consolidated balance sheet amounts, and their differences by type are as follows:

(Million Yen)

	Type	Acquisition cost or amortized cost	Consolidated balance sheet amount	Difference
Consolidated balance sheet amount exceeds acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	167,300	167,300	0
	Monetary receivables purchased	36,921	38,203	1,282
	Domestic bonds	3,961,752	4,245,652	283,900
	Domestic stocks	3,469,705	7,884,353	4,414,647
	Foreign securities	15,465,908	17,667,971	2,202,063
	Other securities	2,734,814	2,999,591	264,777
	Subtotal	25,836,401	33,003,074	7,166,672
Consolidated balance sheet amount does not exceed acquisition cost or amortized cost	Cash and deposits (negotiable certificates of deposit)	186,000	185,997	(2)
	Monetary receivables purchased	44,910	44,740	(170)
	Assets held in trust	200	200	—
	Domestic bonds	107,803	105,288	(2,514)
	Domestic stocks	1,171,408	912,115	(259,292)
	Foreign securities	3,607,489	3,496,344	(111,144)
	Other securities	211,755	208,206	(3,549)
	Subtotal	5,329,566	4,952,892	(376,674)
Total		31,165,968	37,955,966	6,789,998

* Securities totaling ¥679,227 million, whose fair value is extremely difficult to determine, are not included in the table above.

Impairment losses of ¥12,379 million were recognized for securities with a fair value during the current fiscal year ended March 31, 2019. Regarding stocks (including foreign stocks) with fair values of the Company and its certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition cost based on the average fair value of the month preceding March 31, 2019. However, in the case of a security that meets certain criteria, such as a security for which the fair value has declined significantly and the decline in the fair value in the month preceding March 31, 2019, is significant, impairment losses are recognized based on the fair value as of March 31, 2019.

The criteria by which the fair value of a stock is deemed to have declined significantly are as follows:

a. A security for which the average fair value in the month preceding March 31, 2019, is 50% or less of the acquisition cost.

b. A security that meets both of the following criteria:

(i) The average fair value in the month preceding March 31, 2019, exceeds 50%, but equal to or less than 70% of the acquisition cost.

(ii) The historical market price, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the major monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

	One year	Over one year within five years	Over five years within 10 years	Over 10 years
Cash and deposits (negotiable certificates of deposit):	353,300	—	—	—
Available-for-sale securities	353,300	—	—	—
Monetary receivables purchased:	27,000	9,068	42,958	319,354
Held-to-maturity debt securities	-	81	-	41,376
Policy-reserve-matching bonds	-	3,640	41,224	231,287
Available-for-sale securities	27,000	5,346	1,734	46,691
Investment in securities:	1,282,230	5,570,056	12,811,266	30,072,179
Held-to-maturity debt securities	28,707	176,608	80,652	107,150
Policy-reserve-matching bonds	307,396	1,805,194	4,970,405	16,665,138
Available-for-sale securities	946,125	3,588,253	7,760,208	13,299,890
Loans (*1)	969,688	2,928,453	1,938,788	1,995,897
Corporate bonds	—	—	3,500	1,088,989
Cash received as collateral under securities lending transactions	918,495	—	—	—
Loans payable (*2)	28,596	67,222	26,065	220,000

(*1) Assets, such as policy loans, which do not have a stated maturity date, are not included.
Also, ¥9,064 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt, but have a high probability of bankruptcy is not included.

(*2) Liabilities, such as subordinated loans payable, which do not have a stated maturity date, are not included.

19. The balance sheet amount for investment and rental properties was ¥1,281,364 million, with a fair value of ¥1,564,426 million as of March 31, 2019.

The Company and its certain consolidated subsidiaries own rental office buildings and commercial facilities, and the fair value of those properties as of March 31, 2019, is measured based mainly on the "Real Estate Appraisal Standards in Japan."

The amount corresponding to asset retirement obligations that was included in the balance sheet amounts of investment and rental properties was ¥3,030 million as of March 31, 2019.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months, and restructured loans, which were included in loans, was ¥32,251 million as of March 31, 2019. The details of those balances were as follows:

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,284 million and ¥29,037 million, respectively, as of March 31, 2019.

Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for such loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments or interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.

2) There were no loans delinquent for over three months as of March 31, 2019.
Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥1,930 million as of March 31, 2019.
Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥3,173 million and ¥168 million, respectively, as of March 31, 2019.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,165,279 million as of March 31, 2019.

22. Separate account assets as provided in accordance with Article 118, Paragraph 1 of the Insurance Business Act were ¥1,479,649 million as of March 31, 2019, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders of a mutual company for the current fiscal year ended March 31, 2019, were as follows:

	Million Yen
	Year ended March 31, 2019
a. Balance at the beginning of the current fiscal year	¥995,167
b. Transfer to reserve from surplus for the previous fiscal year	¥218,353
c. Dividends paid to policyholders of a mutual company during the current fiscal year	¥215,540
d. Increase in interest	¥22,233
e. Balance at the end of the current fiscal year (a+b－c+d)	¥1,020,213

24. Changes in the reserve for dividends to policyholders of a limited company for the current fiscal year ended March 31, 2019, were as follows:

	Million Yen
	Year ended March 31, 2019
a. Balance at the beginning of the current fiscal year	¥65,078
b. Dividends paid to policyholders of a mutual company during the current fiscal year	¥19,231
c. Increase in interest	¥11
d. Provision for reserve for dividends to policyholders (limited company)	¥13,837
e. Increase due to changes in the scope of consolidation	¥629
f. Balance at the end of the current fiscal year (a－b+c+d+e)	¥60,326

25. Corporate bonds within liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the issuer, subject to the pre-approval of the regulatory authorities and other conditions.

The corporate bond issuance dates and callable dates for currency swaps under designated hedge accounting are as follows:

Issue date	Callable date
October 2012	Each interest payment date on or after October 2022
October 2014	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
January 2016	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter
September 2017	Tenth anniversary date after the issue date and on each fifth anniversary date thereafter

26. Other liabilities include subordinated loans payable of ¥336,500 million with special provisions that the fulfillment of obligations on the bonds is subordinate to all other debt obligations. The Company took out the following yen-denominated subordinated loan on April 22, 2019.

Principal amount	¥90 billion
Interest rate	Fixed rate of 0.95% per annum before April 22, 2029, and a fixed rate with step-up thereafter (reset every five years)
Repayment date	The third bank business day preceding April 22, 2049 (The loan is callable on the third bank business day preceding April 22, 2029, every five years thereafter until the loan is fully redeemed at the discretion of the Company, subject to prior approval by the regulatory authorities.)
Use of funds	General working capital

27. Assets pledged as collateral in the form of investments in securities, lease receivables, land, and buildings as of March 31, 2019, were ¥1,751,960 million, ¥15,308 million, ¥252 million, and ¥45 million, respectively. The total amount of liabilities covered by the assets pledged was ¥756,504 million as of March 31, 2019. These amounts included ¥851,839 million of sale of securities under repurchase agreements, ¥918,495 million in payables under repurchase agreements, ¥28,595 million of investments in securities deposited, and ¥32,610 million of cash received as collateral under securities lending transactions secured by cash, as of March 31, 2019.

28. At a meeting of the Board of Directors on May 22, 2019, the Company resolved to propose amendment of the Articles of Incorporation in connection with an issuance of foundation funds (kikin) of ¥50,000 million during the year ending March 31, 2020, for approval at the Meeting of Representatives scheduled to be held on July 2.

29. Foundation funds ¥50,000 million of were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2019.

30. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥422,542 million as of March 31, 2019.

31. Matters concerning business combinations through acquisitions and other matters are as follows:

(1) Nippon Wealth Life Insurance Company Limited

1) Overview of the business combination

a. Name and business of the acquiree

Name: MassMutual Life Insurance Company (Now Nippon Wealth Life Insurance Company Limited)

Business: Life insurance business

b. Major reasons for executing the business combination

The purpose of the business combination is to build a structure that can accommodate a wide range of customers' needs in the financial institution bancassurance market in order to continuously expand policyholders' profit by expanding the profit base of group business.

c. Date of business combination

April 1, 2018 (deemed acquisition date)

d. Legal form of the business combination

Share acquisition for cash consideration

e. Name of the company after business combination

Nippon Wealth Life Insurance Company Limited

f. Percentage of voting rights acquired

Approximately 85.1%

g. Main rationale for determining the acquirer

It is clear that the Company will control the decision-making body of the acquiree by obtaining the majority of voting rights.

2) Period for which the acquiree's business results were included in the consolidated financial statements

The period from the date of business combination to the end of the fiscal year ended March 31, 2019.

3) Acquisition cost and breakdown

Consideration for acquisition: Payment in cash:	¥104,247 million
Acquisition cost:	¥104,247 million

4) Description and the amount of main acquisition-related costs

Advisory fees and others

¥873 million

5) Amount of and reasons for recognizing negative goodwill

a. Amount of negative goodwill

¥10,347 million

b. Reasons

Negative goodwill was recognized because the Company's share of the net amount of the assets acquired and the liabilities assumed was higher than the acquisition cost.

6) Amounts of the assets acquired and the liabilities assumed on the date of business combination and their major components

Total assets: ¥2,763,970 million

(including investment in securities of ¥2,449,174 million)

Total liabilities: ¥2,629,331 million

(including policy reserves and other reserves of ¥2,408,090 million)

(2) HANASAKU LIFE INSURANCE Co., Ltd.

The "Preparatory Company, which was established by the Company on July 2, 2018, changed its name to HANASAKU LIFE on February 1, 2019, following the completion of the acquisition of approvals of the Commissioner of the Financial Services Agency pursuant to Article 271-10, Paragraph 1 and Article 106, Paragraph 7 of the Insurance Business Act by the Company and the acquisition of a life insurance business license pursuant to Article 3 of the Insurance Business Act by the Preparatory Company on the same day.

1) Purpose of establishing the company

The purpose of establishing the company is to flexibly and dynamically provide services to independent insurance agencies and related entities in order to more appropriately address diversifying customer needs and growing sales channels.

2) Overview of HANASAKU LIFE

a. Company Name: HANASAKU LIFE INSURANCE Co., Ltd.

b. Head Office: Minato-ku, Tokyo

c. Capital Stock: ¥10 billion

The Company carried out a capital increase of ¥20 billion in HANASAKU LIFE on April 1, 2019.

3) Date of establishment

July 2, 2018

4) Percentage of voting rights held by the Company

100%

32. The amount of securities lent under lending agreements was ¥3,433,586 million as of March 31, 2019.

33. Assets that the Company has a free disposal right to sell or re-pledge are marketable securities borrowed under lending agreements. These assets were held without being sold or re-pledged and totaled ¥488,657 million at fair value as of March 31, 2019.

34. The unused amount of commitments related to loans and similar loan agreements was ¥306,323 million as of March 31, 2019.

35. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and its certain consolidated subsidiaries was estimated to be ¥92,025 million as of March 31, 2019. The amount contributed to the corporation above was recorded as operating expenses.

36. Information relating to retirement benefits is as follows:

(1) Summary of retirement benefit plans

The Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan, which are both defined benefit plans, for non-sales personnel and sales management personnel.

The Company also has a defined contribution pension plan as a defined contribution plan.

In addition, the Company has a lump-sum retirement payment plan and an in-house pension plan for sales representatives as a defined benefit plan.

Certain consolidated subsidiaries mainly have a lump-sum retirement payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

(2) Defined benefit plans

1) Reconciliation of retirement benefit obligations between the beginning and end of the fiscal year

		Million Yen
		Year ended March 31, 2019
a	Retirement benefit obligations at the beginning of the year	¥707,164
b	Service costs	¥28,279
c	Interest cost	¥4,278
d	Actuarial losses accrued during the year	¥5,587
e	Retirement benefit payments	¥(48,726)
f	Increase due to changes in the scope of consolidation	¥1,757
g	Others	¥(11)
h	Retirement benefit obligations at the end of the year (a+b+c+d+e+f+g)	¥698,329

2) Reconciliation of pension plan assets between the beginning and end of the fiscal year

		Million Yen
		Year ended March 31, 2019
a.	Pension plan assets at the beginning of the year	¥266,183
b.	Expected return on plan assets	¥3,766
c.	Actuarial gains incurred during the year	¥1,550
d.	Contributions by the Company	¥7,279
e.	Retirement benefit payments	¥(18,647)
f.	Pension plan assets at the end of the year (a+b+c+d+e)	¥260,132

3) Reconciliation of net defined benefit liability between the beginning and end of the fiscal year by computational short cut

		Million Yen
		Year ended March 31, 2019
a.	Net defined benefit liability at the beginning of the year	¥2,180
b.	Benefit costs	¥304
c.	Retirement benefit payments	¥(125)
d.	Net defined benefit liability at the end of the year (a+b+c)	¥2,359

4) Reconciliation of retirement benefit obligations, plan assets, and net defined benefit liability and asset on the consolidated balance sheet

		Million Yen
		Year ended March 31, 2019
a.	Retirement benefit obligations for funded plans	¥286,003
b.	Plan assets	¥(260,132)
		¥25,871
c.	Retirement benefit obligations for nonfunded plans	¥414,684
d.	Net defined benefit liability recorded in the consolidated balance sheet	¥440,556
e.	Net defined benefit liability	¥440,556
f.	Net defined benefit liability recorded in the consolidated balance sheet	¥440,556

5) Losses (gains) relating to retirement benefits

		Million Yen
		Year ended March 31, 2019
a	Service costs	¥28,279
b	Interest cost	¥4,278
c	Expected return on plan assets	¥(3,766)
d	Amortization of actuarial losses for the period	¥11,121
e	Benefit cost under the simplified valuation method	¥304
f	Others	¥409
g	Benefit cost for defined benefit plans (a+b+c+d+e+f)	¥40,625

6) Breakdown of items included in other comprehensive income

The breakdown of items included in other comprehensive income (before tax) is as follows:

	Million Yen
	Year ended March 31, 2019
Actuarial losses	¥7,084
Total	¥7,084

7) Breakdown of items included in total accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax) is as follows:

	Million Yen
	Year ended March 31, 2019
Unrecognized actuarial losses	¥19,301
Total	¥19,301

8) Plan assets consist of the following major asset categories:

a	General account of life insurance	49.8%
b	Domestic bonds	23.0%
c	Foreign securities	16.2%
d	Cash and deposits	6.6%
e	Domestic stocks	4.5%
f	Other	0.0%
g	Total (a+b+c+d+e+f)	100.0%

9) Calculation for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into consideration present and forecasted allocation of the plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the plan assets.

10) Matters relating to the basis for actuarial calculations

The major items in the basis for actuarial calculations of the Company and its certain consolidated subsidiaries as of March 31, 2019, are as follows:

a.	Discount rate	0.6-0.7%
b.	Long-term expected rate of return on plan assets	1.4-3.0%

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥4,859 million to the defined contribution plans during the fiscal year ended March 31, 2019.

37. (1) Total deferred tax assets were ¥1,655,051 million and total deferred tax liabilities were ¥ 2,093,314 million as of March 31, 2019. The deferred tax assets were reduced by the valuation allowance of ¥107,691 million. The major components resulting in deferred tax assets were policy reserves and other reserves of ¥935,673 million, reserve for price fluctuations in investments in securities of ¥407,422 million, and net defined benefit liability of ¥123,036 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,916,168 million.

(2) The effective statutory tax rate was 27.9 % for the fiscal year ended March 31, 2019. The major factor for the difference between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting was a decrease of 18.8 % due to the amount of reserve for dividends to policyholders (mutual company).

38. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, net of tax, are recognized as land revaluation losses within the net assets section.

Revaluation date	March 31, 2002
Revaluation methodology	The amount is calculated using the listed value of the land and road rate as prescribed by Article 2, Items 1 and 4 of the Order for Enforcement of the Act on Revaluation of Land.

(5) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Ordinary income:	8,227,132	7,609,805
Revenues from insurance and reinsurance	6,069,229	5,422,050
Investment income:	1,842,333	1,871,287
Interest, dividends, and other income	1,596,028	1,496,565
Gain on trading securities	12,174	22,599
Gain on sales of securities	205,481	252,476
Gain on redemptions of securities	6,430	14,972
Foreign exchange gains, net	—	16,168
Reversal of allowance for doubtful accounts	—	584
Other investment income	3,101	1,806
Gain on separate accounts, net	19,115	66,115
Other ordinary income	315,569	316,467

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Ordinary expenses:	7,798,687	7,137,979
Benefits and other payments:	4,597,470	4,407,378
Death and other claims	1,323,888	1,298,609
Annuity payments	975,383	907,776
Health and other benefits	846,807	812,819
Surrender benefits	1,169,048	1,085,916
Other refunds	238,189	260,653
Reinsurance premiums	44,152	41,602
Provision for policy reserves:	1,652,662	1,234,488
Provision for policy reserves	1,630,416	1,212,272
Provision for interest on reserve for dividends to policyholders (mutual company)	22,233	22,203
Provision for interest on reserve for dividends to policyholders (limited company)	11	12
Investment expenses:	371,739	383,966
Interest expenses	35,388	24,392
Loss from assets held in trust, net	2,563	3,276
Loss on sales of securities	145,635	126,883
Loss on valuation of securities	19,019	11,364
Loss on redemptions of securities	8,165	23,374
Loss on derivative financial instruments, net	83,973	144,785
Foreign exchange losses, net	16,896	—
Write-offs of loans	6,368	—
Depreciation of real estate to rental use and other assets	18,969	17,460
Other investment expenses	34,760	32,428
Operating expenses	825,455	789,288
Other ordinary expenses	351,361	322,857
Ordinary profit	428,445	471,825

[Consolidated Statements of Income] (Continued)

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Extraordinary gains:	17,400	21,711
Gain on disposals of fixed assets	7,053	21,711
Gain on bargain purchase	10,347	—
Extraordinary losses:	117,815	223,222
Loss on disposals of fixed assets	8,069	7,781
Impairment losses	2,327	2,242
Provision for reserve for price fluctuations in investments in securities	104,418	210,222
Contributions for assisting social public welfare	3,000	2,977
Provision for reserve for dividends to policyholders (limited company)	13,837	17,272
Surplus before income taxes	314,192	253,042
Income taxes - current	135,642	129,514
Income taxes - deferred	(102,461)	(123,015)
Total income taxes	33,180	6,499
Net surplus	281,011	246,542
Net surplus attributable to noncontrolling interests	2,215	2,614
Net surplus attributable to the parent company	278,795	243,927

Notes to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2019

1. Impairment losses are as follows:
   1) Method for grouping the assets
   Real estate for rental use and idle properties of the Company and its certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group for each operation.

   2) Recognition of impairment losses
   When a significant decrease in profitability or fair value of a certain asset group is noted, the book value is reduced to the recoverable amount, recognizing an impairment loss under extraordinary losses.

   3) Breakdown of asset groups for which impairment losses were recognized for the fiscal year ended March 31, 2019, is as follows:

	Million Yen		
Purpose of use	Land	Buildings and others	Total
Real estate for rental use	23	8	31
Idle properties	1,536	759	2,295
Total	1,559	767	2,327

   4) Measurement of recoverable amount
   The recoverable amount is based on either the value in use or net selling price of the asset.

   In principle, the value in use is determined as the discounted future cash flows using a discount rate of 3.0% to 3.8%. Net selling price is determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or standard land prices.

[Consolidated Statements of Comprehensive Income]

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
Net surplus	281.011	246,542
Other comprehensive income:	26,303	348,566
Net unrealized gains on available-for-sale securities	35,865	333,542
Deferred gains on derivatives under hedge accounting	27,544	6,166
Foreign currency translation adjustments	(29,212)	5,436
Remeasurement of defined benefit plans	5,107	5,881
Share of other comprehensive loss of associates accounted for under the equity method	(13,001)	(2,460)
Comprehensive income:	307,315	595,109
Comprehensive income attributable to the parent company	303,143	584,689
Comprehensive income attributable to noncontrolling interests	4,171	10,419

Note to the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2019

Breakdown of other comprehensive income is as follows:

(1) Reclassification adjustments to profit or loss relating to other comprehensive loss

(Million Yen)

Net unrealized gains on available-for-sale securities:		
Losses arising during the year	75,501	
Reclassification adjustments to profit or loss	(21,292)	54,209
Deferred losses on derivatives under hedge accounting:		
Gains arising during the year	29,789	
Reclassification adjustments to profit or loss	8,440	38,229
Foreign currency translation adjustments:		
Gains arising during the year	(29,212)	
Reclassification adjustments to profit or loss	—	(29,212)
Remeasurement of defined benefit plans:		
Losses arising during the year	(4,038)	
Reclassification adjustments to profit or loss	11,122	7,084
Share of other comprehensive income (loss) of associates accounted for under the equity method:		
Gains arising during the year	(12,388)	
Reclassification adjustments to profit or loss	(613)	(13,001)
Amount before income tax effect		57,309
Income tax effect		(31,005)
Total other comprehensive loss		26,303

(2) Income tax effect relating to other comprehensive loss

(Million Yen)

	Before income tax effect	Income tax effect	After income tax effect
Net unrealized gains on available-for-sale securities	54,209	(18,344)	35,865
Deferred losses on derivatives under hedge accounting	38,229	(10,684)	27,544
Foreign currency translation adjustments	(29,212)	—	(29,212)
Remeasurement of defined benefit plans	7,084	(1,976)	5,107
Share of other comprehensive income of associates accounted for under the equity method	(13,001)	—	(13,001)
Total other comprehensive loss	57,309	(31,005)	26,303

(6) Consolidated Statements of Cash Flows

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
I. Cash flows from operating activities:		
Surplus before income taxes	314,192	253,042
Depreciation of real estate for rental use and other assets	18,969	17,460
Depreciation	54,543	48,769
Impairment losses	2,327	2,242
Amortization of goodwill	2,631	2,740
Gain on bargain purchase	(10,347)	—
Net decrease in reserve for outstanding claims	(53,246)	(62,027)
Net increase in policy reserve	1,620,992	1,186,025
Provision for interest on reserve for dividends to policyholders (mutual company)	22,233	22,203
Provision for interest on reserve for dividends to policyholders (limited company)	11	12
Provision for reserve for dividends to policyholders (limited company)	13,837	17,272
Net increase (decrease) in allowance for doubtful accounts	6,320	(625)
Net increase in accrued bonuses for directors, and audit and supervisory board members	15	11
Net increase in net defined benefit liability	2,720	771
Net decrease (increase) in accrued retirement benefits for directors, and audit and supervisory board members	(676)	257
Net increase in reserve for price fluctuations in investments in securities	104,418	210,222
Interest, dividends, and other income	(1,596,028)	(1,496,565)
Losses from assets held in trust, net	2,563	3,276
Net gains on investments in securities	(39,092)	(108,616)
Net losses on policy loans	108,744	107,863
Losses on derivative financial instruments, net	83,973	144,785
Interest expenses	35,388	24,392
Net foreign exchange losses (gains)	17,461	(16,268)
Net losses (gains) on tangible fixed assets	792	(13,858)
Gains on equity method investments	(3,292)	(1,359)
Gains from separate accounts	(19,115)	(66,115)
Net decrease in reinsurance receivables	1,949	1,414
Net decrease (increase) in other assets (excluding those related to investing activities and financing activities)	5,128	(14,363)
Net increase (decrease) in reinsurance payables	2,069	(3,334)
Net increase in other liabilities (excluding those related to investing activities and financing activities)	7,145	16,113
Others, net	(13,765)	(23,758)
Subtotal	692,867	251,984
Interest, dividends, and other income received	1,660,198	1,544,422
Interest paid	(33,667)	(23,503)
Dividends paid to policyholders (mutual company)	(189,333)	(181,027)
Dividends paid to policyholders (limited company)	(19,231)	(20,053)
Others, net	7,302	25,100
Income taxes paid	(155,914)	(90,613)

	Year ended March 31, 2019	Year ended March 31, 2018
Net cash provided by operating activities	1,962,221	1,506,309

(6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

	Year ended March 31, 2019	Year ended March 31, 2018
II. Cash flows from investing activities:		
Net increase in deposits	(888)	(302)
Purchases of monetary receivables purchased	(5,394)	(17,947)
Proceeds from sales and redemptions of monetary receivables purchased	47,366	53,602
Purchases of assets held in trust	(5,300)	(10,300)
Proceeds from decrease in assets held in trust	—	0
Purchases of securities	(10,731,535)	(9,174,638)
Proceeds from sales and redemptions of securities	8,800,702	7,997,940
Disbursements for loans	(1,583,675)	(1,505,039)
Proceeds from collections of loans	1,620,988	1,759,953
Net gains (losses) from the settlement of derivative financial instrument	45,636	(417,693)
Net increase in sales under repurchase agreements	677,033	244,920
Net decrease in cash received as collateral under securities lending transactions	(566,215)	(298,360)
Others, net	(119,480)	110,685
Total of asset management activities	(1,820,763)	(1,257,180)
[Sum of operating activities and asset management activities]	[141,457]	[249,128]
Purchases of tangible fixed assets	(109,143)	(54,186)
Proceeds from sales of tangible fixed assets	30,610	51,901
Payments for acquisition of subsidiary’s shares resulting in change in the scope of consolidation	(44,844)	—
Others, net	(49,706)	(51,526)
Net cash used in investing activities	(1,993,848)	(1,310,991)
III. Cash flows from financing activities:		
Proceeds from debt borrowing	354,035	153,893
Repayments of debt	(135,545)	(157,037)
Proceeds from issuance of corporate bonds	—	188,064
Proceeds from issuance of foundation funds	—	50,000
Redemption of foundation funds	(50,000)	(50,000)
Interest payments on foundation funds	(790)	(1,198)
Payment for acquisition of subsidiary’s shares not resulting in change in scope of consolidation	(1,435)	(15,065)
Others, net	(17,934)	2,264
Net cash provided by financing activities	148,329	170,921
IV. Effect of exchange rate changes on cash and cash equivalents	(1,783)	(12,427)
V. Net increase in cash and cash equivalents	114,919	353,812
VI. Cash and cash equivalents at the beginning of the year	1,897,011	1,541,468
VII. Net increase in cash and cash equivalents resulting from merger between the consolidated subsidiary and the nonconsolidated subsidiary	—	1,730
VIII. Cash and cash equivalents at the end of the year	2,011,931	1,897,011

Note to the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2019

1. Cash and cash equivalents
   Cash and cash equivalents, for the purpose of reporting consolidated cash flows, are composed of cash in hand, deposits held at call with banks, and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

2. Main components of assets and liabilities of newly consolidated subsidiaries due to acquisition of shares
   Major assets and liabilities of Nippon Wealth Life Insurance Company Limited, the newly consolidated subsidiary through acquisition, as well as the acquisition cost and net payment for the acquisition are as follows:

	Million Yen
	Year ended March 31, 2019
Total assets:	¥2,763,970
(including investment in securities of ¥2,449,174 million)	
Total liabilities:	¥(2,629,331)
(including policy reserves and other reserves of ¥2,408,090 million)	
Bargain purchase	¥(10,347)
Noncontrolling interests	¥(20,043)
Acquisition cost	¥104,247
Cash and cash equivalents of the acquire	¥59,402
Net payments for the acquisition	¥44,844

(7) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2019

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	150,000	1,200,000	651	625,131	1,975,782
Increase/decrease:					
Additions to reserve for dividends to policyholders (mutual company)				(218,353)	(218,353)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	―
Interest on foundation funds				(790)	(790)
Net surplus attributable to the parent company				278,795	278,795
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				(6,299)	(6,299)
Change in the parent’s ownership interest due to transactions with noncontrolling interests				1,071	1,071
Net change, excluding foundation funds and others					
Net change	(50,000)	50,000	―	4,424	4,424
Ending balance	100,000	1,250,000	651	629,555	1,980,206

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2019

(Million Yen)

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasur-ements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,918,602	(59,092)	(60,989)	28,706	(18,632)	4,808,594	137,996	6,922,373
Increase/decrease:								
Additions to reserve for dividends to policyholders (mutual company)								(218,353)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(790)
Net surplus attributable to the parent company								278,795
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								(6,299)
Change in the parent’s ownership interest due to transactions with noncontrolling interests								1,071
Net change, excluding foundation funds and others	25,320	27,448	6,299	(33,559)	5,138	30,646	20,776	51,423
Net change	25,320	27,448	6,299	(33,559)	5,138	30,646	20,776	55,847
Ending balance	4,943,922	(31,643)	(54,690)	(4,853)	(13,494)	4,839,241	158,772	6,978,221

(7) Consolidated Statements of Changes in Net Assets

For the Year Ended March 31, 2018

(Million Yen)

	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	150,000	1,150,000	651	622,388	1,923,039
Increase/decrease:					
Issuance of foundation funds	50,000				50,000
Additions to reserve for dividends to policyholders (mutual company)				(184,086)	(184,086)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	—
Interest on foundation funds				(1,198)	(1,198)
Net surplus attributable to the parent company				243,927	243,927
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation losses				2,905	2,905
Change in the parent’s ownership interest due to transactions with noncontrolling interests				(8,805)	(8,805)
Net change, excluding foundation funds and others					
Net change	—	50,000	—	2,742	52,742
Ending balance	150,000	1,200,000	651	625,131	1,975,782

(7) Consolidated Statements of Changes in Net Assets (Continued)

For the Year Ended March 31, 2018

(Million Yen)

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation losses	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	4,588,092	(65,262)	(58,084)	30,549	(24,556)	4,470,738	135,203	6,528,981
Increase/decrease:								
Issuance of foundation funds								50,000
Additions to reserve for dividends to policyholders (mutual company)								(184,086)
Additions to reserve for redemption of foundation funds								—
Interest on foundation funds								(1,198)
Net surplus attributable to the parent company								243,927
Redemption of foundation funds								(50,000)
Reversal of land revaluation losses								2,905
Change in the parent’s ownership interest due to transactions with noncontrolling interests								(8,805)
Net change, excluding foundation funds and others	330,510	6,170	(2,905)	(1,842)	5,924	337,856	2,792	340,648
Net change	330,510	6,170	(2,905)	(1,842)	5,924	337,856	2,792	393,391
Ending balance	4,918,602	(59,092)	(60,989)	28,706	(18,632)	4,808,594	137,996	6,922,373

(8) Status of Nonperforming Assets According to Borrower’s Classification (Consolidated)

(Million Yen, %)

	As of March 31, 2019	As of March 31, 2018
Bankrupt and quasi-bankrupt loans	10,032	10,209
Doubtful loans	20,290	18,706
Substandard loans	1,930	2,188
Subtotal [Percent of total, %]	32,252 [0.26]	31,104 [0.26]
Normal loans	12,194,419	11,735,373
Total	12,226,672	11,766,477

Notes:
1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to certain reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal and/or interest cannot be recovered according to the loan contract because of difficulties in the financial condition and business performance of debtors who are not yet legally bankrupt.
3. Substandard loans include loans that are delinquent for over three months as well as restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months following the due date described in the loan agreements (excluding 1. and 2. in the notes above). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower’s restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to borrowers (excluding 1. and 2. in the notes above and loans that are delinquent for over three months).
4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the notes above and where the debtor has no financial or business performance problems.

<u>Supplemental information for borrower’s classification</u>

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer’s liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2019 and 2018, were ¥3,342 million and ¥251 million, respectively.

(9) Status of Risk-Monitored Loans (Consolidated)

(Million Yen, %)

	As of March 31, 2019	As of March 31, 2018
Loans to bankrupt borrowers	1,284	1,511
Delinquent loans	29,037	27,397
Loans that are delinquent for over three months	—	—
Restructured loans	1,930	2,188
Total	32,251	31,097
[Percent of total loans, %]	[0.38]	[0.36]

Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), an estimated uncollectible amount (calculated by subtracting estimated collectible amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount. Such loans to bankrupt borrowers and delinquent loans were ¥3,173 million and ¥168 million, respectively, as of March 31, 2019, and ¥15 million and ¥235 million, respectively, as of March 31, 2018.
2. Loans to bankrupt borrowers are loans for which interest is not accrued as income since the recovery of principal or interest on the loan is unlikely due to the fact that the principal repayments or interest payments are overdue for a significant period of time or for other reasons; and loans are extended to any of (a) borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act; (b) borrowers that have notes suspended from being traded; or (c) borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
3. Delinquent loans are loans for which interest is not accrued other than the loans to bankrupt borrowers and those with interest payments extended with the objective of restructuring or supporting the borrowers.
4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement other than the loans to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower’s restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers other than the loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months.
6. Accrued interest for the following loans is not recorded as revenue: loans to borrowers who are bankrupt, substantially bankrupt, or potentially bankrupt based on the result of asset self-assessment.

(10) Consolidated Solvency Margin Ratio

(Million Yen)

	As of March 31, 2019	As of March 31, 2018
Solvency margin gross amount (A):	15,040,262	14,150,865
Foundation funds (*kikin*) and other reserve funds:	5,437,605	5,143,211
Foundation funds and others	1,888,331	1,852,172
Reserve for price fluctuations in investments in securities	1,460,182	1,345,987
Contingency reserve	1,825,914	1,680,761
Extraordinary contingency reserve	—	—
General allowance for doubtful accounts	2,213	2,114
Others	260,963	262,175
Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax) × 90%	6,083,208	6,048,444
Net unrealized gains on real estate × 85%	374,311	272,410
Total amount of unrecognized actuarial gains/losses and unrecognized prior service cost	(18,717)	(25,843)
Excess of continued Zillmerized reserve	1,798,965	1,679,917
Qualifying subordinated debt	1,512,089	1,208,889
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations	—	—
Deduction clause	(249,621)	(249,989)
Others	102,421	73,824
Total amount of risk (B): $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$	3,015,936	2,923,568
Underwriting risk (R_1)	164,973	159,546
General underwriting risk (R_5)	—	—
Huge disaster risk (R_6)	—	—
Underwriting risk of third-sector insurance (R_8)	93,010	90,205
Underwriting risk related to small amount and short-term insurance providers (R_9)	—	—
Anticipated yield risk (R_2)	432,609	425,986
Minimum guarantee risk (R_7)	9,302	10,593
Investment risk (R_3)	2,498,757	2,414,061
Business management risk (R_4)	63,973	62,007
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$	997.3%	968.0%

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No. 23 of 2011.

2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(11) Segment Information

For the fiscal years ended March 31, 2019 and 2018, the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to be reported.